

# Saturday Night

Canada's Magazine of Business and Contemporary Affairs

MAY 27TH 1961

20 CENTS



Do Communists Organize the Unemployed ?

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# Saturday Night

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**THE COVER:** Last month's march of the unemployed on Ottawa.

While most of the unemployed who are protesting their lot and attempting some form of organization are honest men, the situation has provided a new opportunity for the Communists. **Frank Drea**, labor specialist of the *Toronto Telegram*, tells what the Reds are doing in the unemployed ranks and how they are again trying to infiltrate labor unions.

Two events which shook the world in rapid succession were the U.S. disaster in supporting a Cuban invasion and the revolt of the French Generals in Algeria. **Anthony West** feels that for all his brave front, **John Fitzgerald Kennedy** came apart in his first major crisis and documents this from the President's now-famous speech to American Newspaper Editors. **Donald Gordon**, CBC correspondent in London, tells the moving story of **de Gaulle's** triumph but sees some dangerous days ahead.

Some of the uglier facets of the organized crime which feeds on gambling have been seen recently in Ontario. Professor **J. D. Morton** of the Osgoode Hall Law School examines gambling as it now stands in law, tells how the criminal element might be eliminated and how the public longing to have a fling might be legitimately satisfied.

For close to a decade, Canada's economic growth has failed to meet our national needs. Many of the results, such as unemployment, have been cumulative. It is clear that we need — and do not possess — a national policy for economic growth. In SN's special Report on the Economy, Dr. **A. N. McLeod**, economist for the Toronto-Dominion Bank, **H. Paul Simon**, economist with the Ontario Hydro-Electric Power Commission, and **Kenneth Gauldie**, SATURDAY NIGHT contributor on economic affairs, show where our problems lie and what we must do to overcome them.

Whether they know it or not, the Beats are dead says **Kildare Dobbs**, reviewing *A Casebook on the Beat*, in **BOOKS** . . . **Mary Lowrey Ross** views the Eichmann trial on **TELEVISION** and finds that its timing, in the march of world events, could hardly have been worse . . . in his **OTTAWA LETTER**, **Raymond Rodgers** tells how Quebec's perennial suspicion of Federal government prevents any national assault on the problem of education.

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## Letters

### The Forward Look

*In days of yore  
'Twas thought a bore  
For man to cling to lesser fame;  
Repeating exploits  
O'er and o'er,  
Monotonously the same.  
The parody's a lesser form:  
Though Vic's are sometimes clever  
Are they going to appear in SATURDAY  
NIGHT  
Forever and forever?*

VANCOUVER M. H. KENT

*Forever is a long, long time  
And Vic may not quite make it.  
But while he'll send his verse along,  
We shall surely take it — Editor.*

### That Flag Problem

I wish to express my appreciation to K. P. Kirkwood for his excellent article — "A Simple Answer to That Flag Problem". [SN April 29] I agree with most of the remarks he made concerning the flags of other nations. There is quite a similarity in designs which makes them confusing to people who are not familiar with national flags.

I believe it to be a good idea to have the name "Canada" printed on the flag, provided it is worked harmoniously into the design as it is on our postage stamps. But a flag with only the word "Canada" printed on it would just be a drab affair.

I believe, as the Liberal Association has already advocated, that a distinctive national flag should be built around the Maple Leaf and, as the Jaycees have also advocated, that it should not contain any emblems of allegiance to any other country whatsoever.

A simple and suitable design might be a green Maple Leaf on a white background and the word "Canada" in Roman capitals at the bottom of the flag below the Maple Leaf. If a more elaborate design is preferred, a Red Cross on a white background and a green Maple Leaf in the centre and the word "Canada" below the Maple Leaf.

RODNEY, ONT. JAMES S. BLACK

### Great What-Is-It?

K. P. Kirkwood's proposal for a Canadian flag has an advantage he did not develop. The fact that "Canada" is

spelled alike in all languages would allow each of our main ethnic groups, in fact any of our ethnic groups not irretrievably committed to non-Roman characters, to claim the side reading right as its own, and assign the back side to its rivals.

However, it seems doubtful whether a desirable degree of legibility would be achieved except in a stiff breeze, or by nailing it to a wall like a hide; and at its most legible we would have the name "Canada" but no hint of what it means. This flag would invite completion by adding a second line "The Great What-is-It"?

The analogy with our Armed Forces shoulder badges does not seem sound to me. A statement which, for one purpose, in a space of two inches, is succinct, adequate, and a source of modest pride, does not become thirty times as meaningful and inspiring by being stretched out to five feet and run up a flag pole, for an essentially different, if related, purpose.

Let us take our tongues out of our cheeks, for I feel this flag business has become serious. The purpose of a national flag must be to proclaim some sort of national idea. I suggest that in Canada that idea should be "something British, something French, and something indigenous for everybody", and that it is time for us, all round, to open our minds to accept it.

OTTAWA

C. W. GORDON

### Burning Question

The simplest answer to that flag problem is simply forget about it.

There is a very good reason why we do not have a flag. We do not have a national identity; and we get along very nicely without one, thank you.

The fact is that the Canadian story has been a success story to the precise extent that we have successfully forgotten all the foolish nationalism of our diverse ancestry.

The Canadian spirit is international. Let's try to pass this on to the rest of the world rather than something we do not have.

I suggest we quietly burn all union jacks, all red ensigns, and anything else that looks like a symbol of national identity. The one great service Canada can render to the world community is

to convince them that they too should quietly burn all their flags.

Soon the world will be one. Who needs a flag?

WILCOX, SASK.

DAN OGLE

### Family Plan

I can find little to support in the letter published from Rev. E. L. H. Taylor [SN April 29]. In fact our Prime Minister, in meeting an inevitable discussion of the policies of Premier Verwoerd, produced on behalf of all concerned a general agreement on human rights in place of sanctions much preferred by our colored friends. This has no bearing whatsoever on immigration to this or any other country.

In general people do not like the methods instituted in South Africa to meet rising nationalism. Negotiation or some more kindly and Christian attitude appears so much more desirable and indeed more sensible. What we should do to maintain our stand is to treat without discrimination colored individuals in this country and, secondly, do all we can to train colored students so that they can return and be of value in their own countries.

The difficulties faced by South Africa are similar to those being handled with varying success in other parts of Africa by the British Government. No one can underestimate these difficulties or fail to sympathize with the residents confronted with a factual situation. I have no doubt if the Canadian government was faced with a similar problem in Africa it would favor the British policies rather than those of South Africa.

To invite hoards of untrained colored individuals into Canada is neither logical nor justified by our labor situation. Obviously such insanity would cause trouble for all concerned and it would require a very stupid person either to take or advocate such a course of action.

Surely one can support the idea of fair treatment for his neighbors' over-large family without necessarily asking the children to move in?

It is obligatory to treat the people in one's home with fairness and decency, but there is no obligation to ask anyone into your home unless you wish to and unless it fits in with the family plans.

LIMEHOUSE, ONT.

K. M. BOURNE



## Changing Times

In his article on the New Party [SN April 29] John Saywell refers *en passant* to the "increasingly orthodox monetary views" of the Social Crediters.

If Saywell cares to read the basic Social Credit literature published 1920-1930 and compare it with e.g. the recently published *Canadians — It's Time You Knew* by the president of the Social Credit Association of Canada, Robert N. Thompson, he will realize how little in fact Social Credit has had to move from its original position.

On the other hand, anyone who studied orthodox economics in the 'twenties knows how force of circumstances (and possibly education by Social Crediters and other monetary reformers!) has obliged orthodoxy to abandon many of its once fundamental concepts. Any rapprochement between orthodoxy and Social Credit is the result of this change of ground on the part of orthodoxy.

There is nothing new in the heresy of yesterday becoming the orthodoxy of today. In the field of finance, however, one could wish it would take place more quickly, for we have not another 35 years to play with. As many months could be enough to wreck our economy, run on present lines, almost beyond repair.

EDMONTON

E. V. HATTERSLEY

## The Fast Draw

R. Hendersley [Letters April 29] objects thus to an argument of Anthony West's: "This is like saying that if someone you don't trust picks up a gun you must on no account do likewise — lest you be classified with him."

Another good reason for not picking up that gun is that the other fellow can shoot while you're reaching.

OTTAWA

PAUL A. GARDNER

## Kiddalogy on the Air

F. R. Varella [SN Mar. 18] says that those who have shut their minds to commercials are few and far between which fact ensures a profitable future for all hucksters! I agree that the great majority of viewers are easily gulled by all the blah that goes over the air as advertising, but my experience in my circle is that all this barking is looked on with disfavor—a waste of air-time irrespective of sponsors.

I get a bigger laugh out of most of these ads than I do from Red Skelton. Anyway, recognized traders should not have to spend so much money on keeping their products before the nation. A sensible man does just not listen

seriously to them. When I buy cigarettes I buy the brand I like. Same with beer or any other product I am interested in.

No articulate announcer can make any impression on my choice of commodities. Only those mesmerized by words will "buy one tomorrow" or "get one right away". There does seem to be a bit of kiddalogy among those notables who sing the praises of anything at all so long as a reward is forthcoming.

Finally, commercials ruin the continuity of a film or play, butting in at the most exciting bits. They should be cut down or cut out. Before and after should be the practice, not in the middle and elsewhere.

TORONTO

PATRICK LANE

## For Survival

If your editorial comments, [Storm Warning: March 18th], serves to stimulate public awareness of the need for emergency measures organization, they will have performed a useful service.

One must however take exception to your phrase, (in or out of context), "total Civil Defence incompetence", which is wholly unjustified and indicates a lack of knowledge of the actual facts.

At the municipal level at least, planning for disaster, whether natural or occasioned by enemy action, is going on apace. In this community as, indeed, in many others, Civil Defence Organization has contributed in no small measure to confining the area of disaster and the alleviation of distress arising therefrom.

Primarily, Civil Defence is preoccupied with the means of survival in the event of nuclear attack. Research, study and training are, in the main, confined to the preservation of life, the continuity of government and the rehabilitation of affected areas and distressed displaced people. Its application to the effects of man-made or natural disasters are equally important but not initially envisaged in the original conception of Civil Defence operations.

To place the onus for non-preparedness on Civil Defence in cases of abnormal snowstorms or flood conditions is, to say the least of it, as absurd and unrealistic as to blame the medical profession for an outbreak of Asian Flu.

Municipal facilities exist (or should exist) for coping with the exigencies of weather, whereas the functions of the Civil Defence Organization are primarily intended to save life and alleviate any distress and hardship that may arise out of any form of disaster.

The lack of an intensive program of



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public education is greatly to be deplored as, in the last analysis, a trained and informed citizenry organized at the municipal level for coping with exigencies beyond present comprehension is utterly essential to adequate civil defence preparedness.

PETERBOROUGH

W. A. BROWN

### **"Heroic Tradition"**

Your readers owe a debt of gratitude to Charles de Verteuil for his article on *Exodus*. That book is character-assassination of the meanest and most despicable type and I do not wonder that decent Israelis (of whom there are many) resent it.

No nation expects gratitude from any other nation but there is something particularly nauseous in the oblique vilification of Jewry's greatest benefactor, Great Britain. I understand that a number of British actors have been employed in the film *Exodus*, I trust that they will be fumigated and kept in quarantine for a requisite period on their return home.

May I comment on two matters of fact in de Verteuil's article? The so-called concentration camps on Cyprus were built for the reception of friends, not enemies. From 1937 onward a large number of south European liberals took refuge in Greece and Yugo-Slavia. On the Nazi invasion of these countries in the spring of 1941 some thousands of such expatriates tried to escape; some took to the water in every manner of small craft, even rowboats, and made their way to Cyprus. There, with the unstinted aid of the Cyprus Mining Corporation (an American company), quarters were prepared for their reception, complete with every convenience that wartime exigencies permitted. These were the camps used for the intercepted illegal Palestinian immigrants.

Then on the matter of Begin. He is not the first of the Stern-Irgun murderers to visit Canada. A comrade was in Montreal some years ago. As far as I know no one suggested that he be abducted and hanged, as were the young British sergeants. Canadians are not bred to such heroic tradition.

The fear that de Verteuil declares to be heavy on Israel springs from the realization that all the material progress, the admirable and dedicated nation-building, even the cash that must continue to flow from abroad to keep the state viable, does not obscure the sad certainty that they who live by the sword will die by the sword.

MONTREAL

G. R. STEVENS

SATURDAY NIGHT



## Comment of the Day

### Tastemakers' Toronto Tea Party

IT IS ABOUT TIME that we gave up flaunting our cultural poverty in public. For one thing, it costs too much. The last bout—the Canadian Conference of the Arts at Toronto's O'Keefe Centre two weeks ago—is said to have squandered \$75,000. After the organising and staff costs, much of this went to airlines who busily ferried into Toronto not only artists from clear across the Dominion (Birney and Binning from Vancouver; Layton, Gelinas and others from Montreal; august artistic middlemen like Albert Trueman from Ottawa) but also from New York, Los Angeles, New Delhi and London.

Only a little (a very little) was spent on food. And it is typical of the organisation of this kind of jamboree, which sets out to persuade people that they need more grace and elegance in their lives, that it provided the same cold meat and salad for five consecutive lunches and dinners served at temporary tables by haughty and uncooperative waitresses.

And what was all this gathering for? It was to discuss such tired topics as "The Artist in a National Community" and, for two whole afternoons, such utterly pointless questions as "Are There National Boundaries in the Literary Arts?" Proving that he should have been on the agenda committee, Morley Callaghan answered this last question very quickly and easily "Yes; they are caused by the different languages which are spoken in the world".

The wonder was that so many worthwhile artists did come, for those who really care about their work are not usually very apt to talk much about it. And this is precisely what many of them said once they got to the Conference. Irving Layton interrupted a reading of his own poems on the first night to say that the whole conference was wrongly conceived; the next day Mordecai Richler told four hundred people that no real writer would have anything to say to them; they were the wrong audience. Serious discussion could only take place between artists, he thought, and there were too many elegant hats and clothes in the audience

for there to be many serious artists inside them.

Russell Lynes, up from New York where he edits *Harpers* magazine, went

#### Air Craft

*("The government may make another dent in Trans-Canada Air Lines' monopoly of transcontinental air routes. This is expected to be the outcome of a four-way fight now going on over the future of air transportation in Canada. Participants are the Canadian cabinet, the publicly-owned TCA, the privately-owned Canadian Pacific Airlines and the Air Transport Board."—William MacEachern in the Toronto Star.)*

THE TCA and the CPA

Are at it hammer and tongs  
And making a stack of political hay  
Sorting the rights from the wrongs:  
The future's not very sunny  
With both of them losing money.

The rather-neglected ATB

Quite justifiably feels  
A victim of gross indignity  
When the Cabinet rudely deals  
Directly with both of the bosses  
Of airlines with millions in losses.

The question occurs to you and me:

With political rows to hoe,  
In pushing aside the ATB,  
How far should the Cabinet go?  
I'd think it, but say it I wouldn't—  
Is it muscling in where it shouldn't?

While the TCA and the CPA

Lobby to beat the band,  
I'm willing to bet, by the end of May  
The Cabinet takes a stand  
That'll stick through Summer & Fall, say  
For thus does the crystal Balcer. vic

even more seriously into the subject: "It is characteristic of our time that no matter how hard he [the artist] tries to escape from his audience into a world of his own and of his peers . . . no matter how abstruse or abstract he becomes, the audience comes panting after him in a perpetual game of hide and seek. I sometimes wonder if the

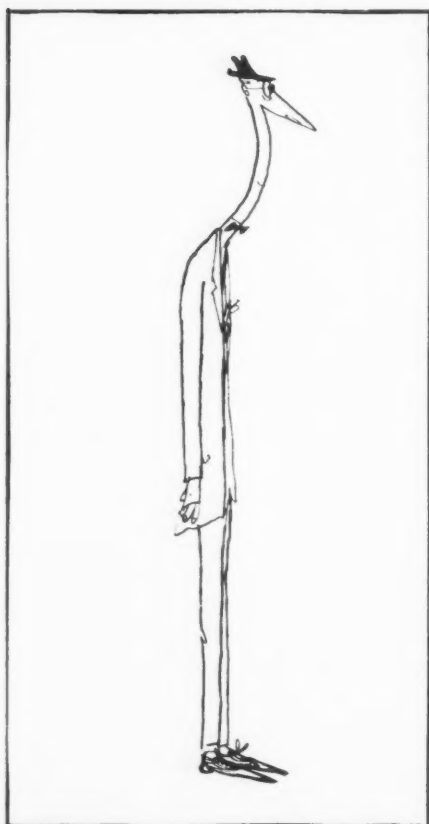
artists of our time aren't being understood to death—over-interpreted, over-criticised, over-explained and overwhelmed with self consciousness."

The bathetic climax to three days of such self-conscious search for whatever is happening artistically in this country came on Saturday evening, May 6. The special speaker, flown in from London, was Sir Julian Huxley. Why an English scientist should be chosen to sum up a Canadian Arts Conference never became clear. Maybe the organising committee thought they were really getting his brother Aldous.

In any case, Sir Julian's performance was typical of the English visitor who, secure in his knowledge of the architectural beauties of St. Paul's, Westminster Abbey and the Tower of London and equally secure in his ignorance of the Canadian scene, blats rudely on about the desperate and ugly monotony of Toronto's suburbs. (Sir Julian based his wide remarks on what he had seen from the airplane coming in to land at Malton).

We are ugly, we are new, we are uncultured, he said, and we are complacent. We don't plan our cities, and we have no parks like Hampstead Heath. But he did detect a ferment (in the name O'Keefe, perhaps?). And this ferment must be fostered. Lobby the government, said Huxley, and make the politicians realise that artists and the arts-conscious intellectuals are determined not to be ignored. Maybe no-one on the committee had told him that the majority of the money for this whole shindig had been voted by wicked politicians in both Ottawa (through the Canada Council) and in Toronto (through both the provincial and municipal governments).

After hearing this stirring call to action, Professor Kilbourn of McMaster waded in and called the public a bunch of Yahoos. (His audience applauded wildly: perhaps if they had all known what smelly animals Yahoos are in Swift, they would have been less enthusiastic). He urged us all to lobby like mad, to throw bombs and to turn the ignoramus out of the seats of the mighty.



## EARTH'S MOST POWERFUL CREATURE

That's right. Appearance to the contrary, man is the most powerful creature on the face of the earth.

Man—of all creatures—put his brain to work instead of his muscles, shaping energy sources to his own use and betterment. In Canada we've put our energy sources to work so well we enjoy one of the world's highest standards of living. Take oil for example. Because it has been made available at reasonable prices wherever it is needed, Canadians use more than 1,000,000 gallons an hour. And speaking of reasonable prices, Imperial Oil gets less for a gallon of gasoline today than it did ten years ago.



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Big government, big business, big cities all were targets of his wrath. From a man who has had grants from big governments and who accepted a commission to write the definitive history of one of Canada's biggest businesses (*The Elements Combined*.— *A History of the Steel Company of Canada*) this line of talk showed how impartial, even ungrateful, he was.

But the real pinnacle of hypocrisy was still to be scaled. The Hon. René Lévesque, Minister of Natural Resources in the Province of Quebec, argued for a strong lobby of artists to besiege his colleague's offices and to ask for their views to be taken into consideration on matters of policy and for their talents to be used in public buildings. Then, when he got up again, he slyly announced that the Liberal Government of the Province of Quebec was due to pass legislation immediately [the next Monday, in fact] which would set aside a fixed percentage of any money appropriated for a public building, to be used exclusively on murals and sculpture.

But this was not all. He then took off into the realm of fantasy and argued for an integrated national policy on art and artists—this from a Cabinet member of a government which will not even share the costs of a road much less of a *rondo* with any other government—federal or provincial.

And so the Conference limped to a close. There was a good deal of phoning around the next day amongst the middlemen (professors, executives of the Potter's Guild and so on) to ask each other whether it was a success or not.

In one sense it was—but not in their sense. It surely once and for all will put a stop to any government participating in the organisation of a parade of unwilling, even sullen, artists before the public. "Even," to use a Conference phrase, "even the politicians" should now be happy to let our artists alone. We haven't many of them. And their time is too precious to attend such a twittering tea-party as this was. (Well, it wasn't tea that was drunk—we've come beyond the thirties a little.)

As Russell Lynes said: "I have a notion that if we were to stop worrying about uplifting the public taste and really put our minds on the public pleasure, that the artists would come out of their holes and the tastemakers could go back into theirs."

Amen.

### For Whom the Tocsin Tolls

A TOCSIN used to be rung to call citizens to arms. It was for this reason that in England in 1940 all church bells were silenced in case they had to be

used for this desperate measure in face of a Nazi invasion.

In Canada, tocsin now has taken on a different meaning. Exercise Tocsin, a full scale Civil Defence exercise, was held without the participation of the public. When the bells tolled recently, they merely tolled for the Cabinet (not, as yet, for the Leader of the Opposition), for the members of the armed forces and of the Emergency Measures Organisation.

All these went to ground, played a day-long war game (game is not used loosely) and assured the public that all went well. The fact that the organisation has no influence among, or over, the public on whom the bombs would be raining down was not even mentioned in official, or even newspaper, reports. The idea that Civil Defence has to do with defending civilians has not yet been given any attention in Ottawa. Too difficult, probably.

As somebody once said of the Pope's Swiss Guards: "There's nothing in the store, but don't they take the shutters down grand?"

### Yellow

IN MANITOBA a bill was passed last month to permit the sale (after a ban of twelve years) of colored margarine. Some of the steps taken to achieve this included:

- referendums in urban areas which voted five to one in favor of color.
- an essay contest which, run by Winnipeg's Mayor Stephen Juba, attracted over two thousand essays in favor.
- a positive recommendation by a Royal Commission.
- a demonstration in the Legislature of how to color margarine by an MLA wearing a chef's hat and rubber gloves.

Despite all this the victory is a little hollow. The margarine, formerly not allowed any color, must now have at least 10.5 degrees of yellow. Butter has between 6.6 and 7.6 degrees of yellow on this scale.

We wonder what the scale would register on the MLA's who accepted such a compromise so as not to lose the rural vote?

### Not Just the Heat...

THERE ARE SEVERAL sets of estimates still to be discussed in Parliament; the Budget debate, which may even be lively, has not even begun; and there will doubtless be a fair amount of political manoeuvring since a Fall election perhaps may be expected.

Anyone who has lived through an Ottawa July will know that the Members are likely now to literally sweat it out, having frittered away the advantages of an earlier opening this year.



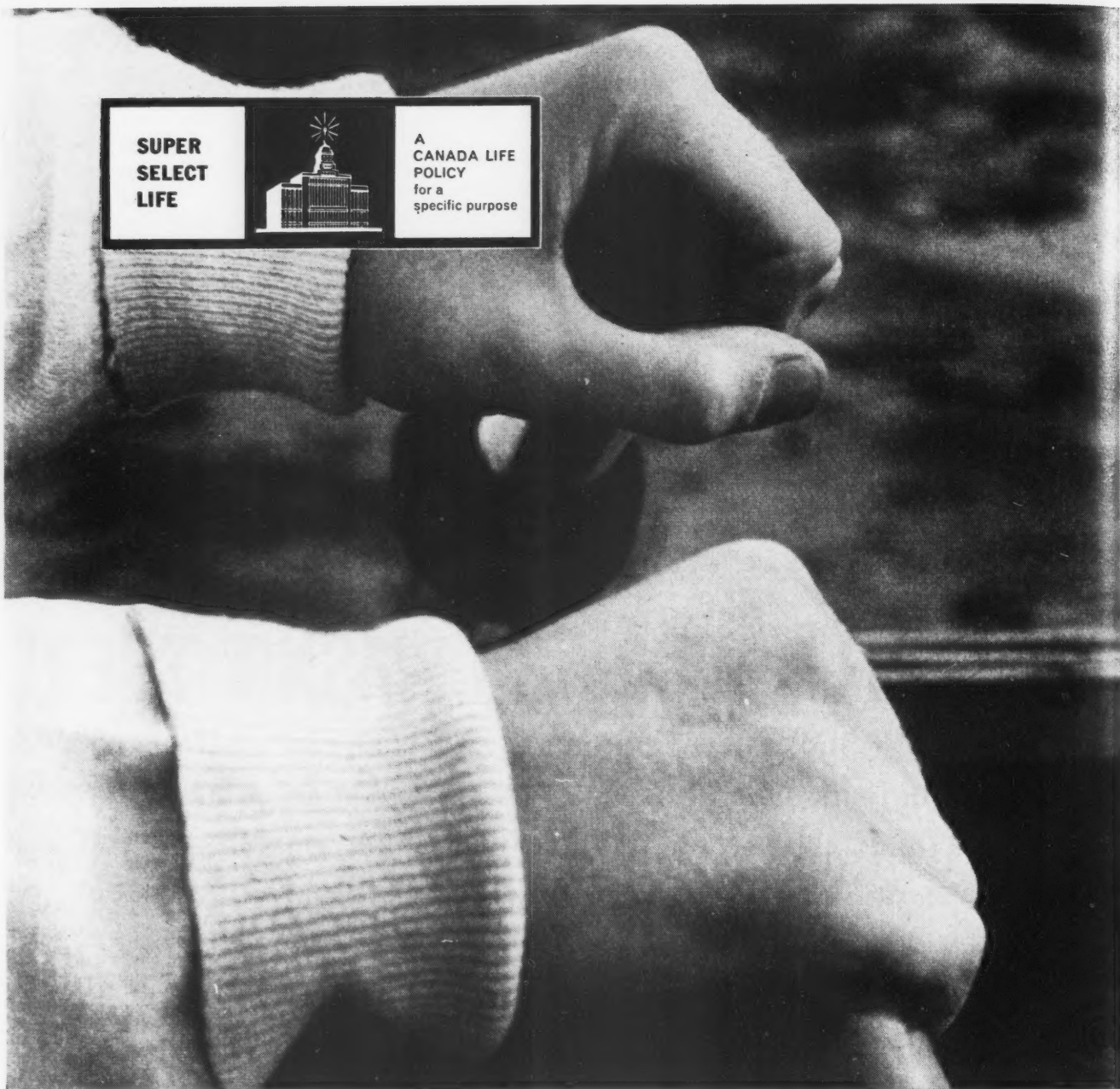


## THE LITTLE MAN WHO WASN'T THERE

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*Lack of competent and responsible leadership threatens unemployed with the danger of becoming unwilling political pawns of Communist party.*

### Out From the Woodwork:

## Are Reds Organizing the Unemployed?

by Frank Drea

AFTER YEARS OF whining from the political wilderness, Canada's Communists are staging a redoubtable comeback, sparked by the greatest ally of the political far left, a rising tide of unemployment and economic uncertainty.

Although the Communists have made their greatest inroads so far among the unemployed, the party strategists are making open power plays to try to recapture a foothold in the labor movement.

There is little doubt that the marches of the jobless on provincial Governments and two treks to Ottawa were inspired by Red agitators, although the bulk of the demonstrators were innocents duped into staging a protest that contributes to national unrest.

But there is equally no doubt that the party power plays are now aimed at the two largest unions in Canada, the United Steelworkers and the United Auto Workers, the labor groups that anchor the other industrial unions and

are the pace setters in bargaining.

The reason for this is clear. The great fear that permeates the mind of industrial workers, the spectre of being made obsolete and jobless by the inevitable march of the machines, plays into the party's hands since it can propose the most outlandish of solutions without detracting from its dedicated purpose.

The party's ability to perform the most extraordinary mental gymnastics, the constant flip-flop and flip again of the Communist line, has also contributed to its surge toward some semblance of the popularity it enjoyed in the more naive decade of the 1930's.

However, its one liability is that its most effective organizers are segregated from the mainstream of the labor movement and many of its most gifted strategists have abandoned the Soviet interpretation of socialism to follow their own course.

But the emphasis and the hopes of

the Reds rest with the manipulation of the unemployed and the promotion of a national spirit of discontent. The unemployed unions situation is considered so serious that the Canadian Labor Congress has taken particular pains to warn its affiliated labor councils across Canada to shy away from any kind of collaboration with these jobless unions.

The major unions, like the Steelworkers, Auto Workers and Electrical Workers, have set up their own counseling and welfare clinics for the jobless, arguing that they will not abrogate their duty to any member just because he is unemployed.

However, such opposition from well established trade unions has not deterred the organizing of the unemployed by left wing groups. Instead, the CLC's decision that the unions of the unemployed are beyond the pale has left the central labor body open to the charge that the congress has no interest in the jobless.



Minister of Labor Mike Starr meets with unemployed delegation in Ottawa.

But labor leaders recall vividly the unemployed unions of 1950, ones that operated almost openly under the Red banner and climaxed their campaign with a shouting match in the House of Commons.

The first attempt at organizing the unemployed came in Windsor where an out-of-work-tool and die maker, Mance Mathias, long associated with left-wing causes, headed the Windsor Unemployed Committee. His campaign resulted in an auto caravan to Ottawa, where demonstrators protested that Canadian unemployment was tied in with U.S. domination of the manufacturing field.

Unfortunately, Mathias became a liability when it was learned that he was employed at Ford Motor Co. His layoff did not last long enough to provide him with the qualifications for leading the jobless.

But the second major leader to emerge, Stanley Thornley, provided perfect qualifications for the task of becoming the vocal spokesman for a left-wing oriented movement within the ranks of the unemployed. He had no job, being one of the workers cast out when the Gutta Percha Rubber Co. ceased operations.

His political ties were good also, since he had once tried to win a seat on Toronto's board of education from behind the Iron Curtain. In 1950, friends had fought his campaign for him while he attended a peace congress in Warsaw.

But Thornley, who led last month's march of the jobless to Ottawa, possessed another prime asset: he has continued to be a member of the United Rubber Workers Union. The charter for the local at Gutta Percha cannot be revoked because a number of veteran union members continue to pay dues.

This gives Thornley, barred permanently from the United States in 1949, access to labor councils, federations of labor and other labor forums that are denied to the Communist officers of left-wing unions outside the CLC.

The means of luring the unsuspecting into the left-wing projects is illustrated by an ill-fated move by the Communists to move into the newly formed Brandon Union Groups in Toronto, which unionized 10,000 immigrant construction workers in a whirlwind campaign last summer.

"Every meeting that we had, some fellow would jump up and make a speech that would receive applause,"

said Charles Irvine, international vice-president of the Plasterers and Cement Masons Union. "The boys would go home talking about the people making a speech and the businessmen would set off a cry that these were known Communists."

"It became so bad with this handful that were trying to infiltrate that we had to take drastic action to keep them out of the meetings along with their pal Charley Weir who was passing out Communist literature and trying to give the impression that the Communists were the only ones who cared about the New Canadians."

Irvine also charges that the Thornley-led unemployed group has been trying to move in among the immigrants during the slack winter construction season.

"So help me I never met the man in my life and the first thing I hear is that it is Charley this and Charley that all over town. There is now a price on his head if he shows up at a meeting and I think we have seen the last of him."

The CLC, speaking of unemployed unions, says that they tend to become political pawns because there is no way of ensuring they will have competent leadership. "Our fear is that they will become political pawns for the Communist Party," noted Douglas F. Hamilton, secretary-treasurer of the Ontario Federation of Labor. "This merely makes a mockery of the honest attempts of the unemployed to try to help themselves to regain employment."

The fight inside the Steelworkers, the most militantly anti-Communist union in Canada, arose when John Bellingham, a former president of a Hamilton local, decided to try to unseat Larry Sefton, leader of the largest unit of the union in Canada.

"The first I became aware of Brother Bellingham's desire to become District Director (District Six covering Ontario to British Columbia) was when I read about it in the *Canadian Tribune*, Communist Party organ in Toronto," said Mr. Sefton in his annual report to the union's wage policy conference.

This thinly veiled charge by Sefton of a left-wing plot to overthrow him brought a prompt charge of "Red baiting" by Bellingham, who was disqualified from running because he did not receive enough local union nominations.

A supporter of Bellingham has filed charges of maladministration against Sefton for his direction of the Timken Roller Bearing strike, a 150-day walk-out in St. Thomas last year.

"I do not intend to submit to any politically motivated attack," vowed Sefton.



The Communists and party line followers used similar techniques to infiltrate the organizing drives for seamen

"It is of interest that the new International Nickel-sponsored Sudbury Laurentien University and its Jesuit dominated Extension Department is the idea factory for and chief organizer for

Ironically, the rising unemployment and the series of tough new labor laws in BC, Alberta, Ontario and Newfoundland, made life easier for the Communists and made the road back a lot smoother than even the party strategists hoped.



*Rising unemployment, tough new labor laws, help Reds to dupe jobless.*



*Minister of Labor Mike Starr meets with unemployed delegation in Ottawa.*

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This is the same pattern within the United Auto Workers, with leagues for democratic rights, a 30-40-60 movement (30 hours work for 40 hours pay and retirement at 60) and the push for a tougher stand against management over job security and severance pay.

Within the UAW there is also the peculiar "amalgam" in certain locals of Communists, Trotskyites and left-wing CCFers in a reform movement to topple the present administration supporters.

This grew out of an explosive local union meeting in Oshawa where one member of the union accused officers of meeting with Communist agent William Kashtan to plot strategy during the lengthy strike. An investigation could not find sufficient evidence to lay charges.

One flip-flop of the party lines had the left wingers screaming for more autonomy for railway workers, until suddenly there was a switch and everyone had to work with the existing international unions in the cause of the workers.

The Communists and party line followers used similar techniques to infiltrate the organizing drives for seamen

"What concerns me is the gains that the left wingers could make if they had some talented leadership," said a Steelworkers official. "They are making trouble now and are only using the third and fourth stringers".

For more than two years, Gillis and his lieutenants Don McNabb, Ray Poirier and Alec McDonald, have had to stand off the machinations of the left wing to survive as the leadership of the 17,000-member local union, Canada's largest single labor bloc.

"Ever since the right-wing coalition headed by Tory Don Gillis came to power two years ago, union meetings have been the battleground for head-on collisions between contending factions. Needless to say, all but three to five hundred members stay away from union meetings because of a disgust for the continuous bickering from which they see no solution.

11



Kennedy's press conferences on Laos and Cuba indicated he is not one to learn the obvious lesson from anything.

### Boy on the Burning Deck:

## The Day the New President Came Apart

by Anthony West

AMONG THE MORE BIZARRE incidents in the life of that singular figure Edward VII was that of the creamed spinach. The occasion was a formal dinner in honor of one of the members of that German family which had somehow or other managed to become the Royal House of Greece, and all was going along very stiffly, stuffily, and properly, when the spinach made its unlucky appearance. As the monarch helped himself there was a splash and two small green blobs attached themselves to the gleaming white expanse of his shirt front.

What the explosive words which first came out of his purpling face actually were nobody cared to record, but the next lot was quite definitely: "I may as well make a thorough job of it." The king-emperor then plunged his hands into the dish and plastered himself from collar to waist-coat with brilliant green goo.

He was then hustled off panting to make a complete change of clothing while the company carried on the rather special kind of chit-chat which rests on the thorny bed of a general agreement that some distressing and disagreeable public event has not in fact taken place.

The occasion of Mr. Kennedy's plunge into the spinach was the now world-famous meeting of the society of American Newspaper Editors. Nothing much remains to be said at this late date of the larger issues he raised in the course of his effort for ridding himself of the burden of the world's

goodwill and to dismantle the position of the United States as the principal defender of the rule of law in international affairs. What is worth thinking about still, however, is what the President rates for his performance on that unhappy day.

The scale of the disaster with which he was faced was not of a very impressive order. The notoriously inefficient and incompetent CIA had, on the strength of wholly erroneous assessments of the popularity of Castro's government and of its military strength, put five hundred lightly armed heroes ashore on a Cuban beach to do what they could against a regular army of forty thousand men with tanks and other heavy weapons backed up by a militia of three hundred thousand, or possibly more, endowed with the wealth of automatic weapons and the heavy fire power which is a feature of Communist infantry doctrine.

The resulting fiasco illustrated unpleasantly enough the familiar axiom of the military text books: that effective actions cannot be taken with insufficient forces. If anything new was to be learned from the squalid little mishap it was that the sooner the CIA is purged of its woody boys the better.

These men are not really soldiers, but camping enthusiasts, who have adopted the Orde Wingate theory that wars are won by dropping penny packets of oddly dressed troops into remote and inaccessible places where they can grow whiskers and hack about

with big sheath knives until rounded up or wiped out by hardship and disease.

Nothing, if you care for sleeping bags and camp fires, is more fun than training troops for this kind of operation, and the CIA's upper echelons are filled with contented looking, tweedy, nut-brown men with crinkles round their eyes who have a whale of a time with it. There is a strong case for saying that the lesson of the Cuban failure is that they should be back in the camp counsellor racket where they belong.

The President however is not one for learning the obvious lesson from anything. In the less publicized parts of his speech he claimed that the little failure in Cuba had taught him that:

"... the complacent, the self-in-



Pointer in The Detroit News

"Elementary, my dear Watson".



dulgent, the soft societies, are to be swept away with the debris of history. Only the strong, only the industrious, only the visionary can survive.

"No greater task faces this nation or this administration.

"No other challenge is more deserving of every effort and energy.

"Too long we have fixed our eyes on traditional military needs, on armies prepared to cross borders or missiles poised for flight.

"Now it should be clear that this is no longer enough, that our security may be lost without the firing of a single missile, or the crossing of a single border.

"We intend to profit from this lesson.

"We intend to re-examine and reorient our forces, our tactics and our institutions. . ."

This reaction is hysterical and extravagant, and its tone was in unhappy contrast with that of de Gaulle's speech a few days later. The general was facing the French public with the ugly facts of an infinitely more serious situation. His words were measured and cool, he gave a realistic assessment of his position, and he ended up with a movingly simple and direct appeal: "Français, Françaises, aidez-moi."

The call followed on some sensible and practical suggestions as to how Frenchmen and women could help him. President Kennedy, who had, comparatively speaking, only stubbed his toe, was, on the other hand, all alone and up in front.

"Let me then make clear as Your President that I am determined upon our system's survival and success, regardless of the cost and regardless of the peril. . ."

The progressive deterioration of the President's language and the proliferation of internal contradictions in his remarks are unmistakable evidences of his personal disintegration under the strain of an office too big for him to



"Finished".



"Behind the curtain".

handle. The incessant rushing about of the President's first days in the White House which was made much of by friendly reporters as a manifestation of youthful vigor can now be recognized as the fidgetty restlessness commonly engendered by anxiety.

The President's situation has become a good deal more difficult and frustrating than it at first looked like being. Congress stands like a stone wall between him and the adventures in social engineering in which he hoped to indulge; the domestic economic problems urgently demanding solution are graver than at first appeared, and their side effects have put a crimp on his expansive plans for playing the role of an international Santa Claus. All this has been disappointing enough, but there are other causes for distress.

The glib theorists in his brains-trust have not turned out to be outstanding successes in practical matters, and the administration has indeed proved to be notably short of assets in the shape of fresh ideas. Worse, leadership has proved to demand more than a dollop of personal charm and an air of brisk competence.

An evident readiness to step out in any promising direction has created more than a little doubt about the existence of any specific goals in the leader's mind, just as three final warnings to Russia in three months, apropos the Congo, Laos, and Cuba, has given rise to a suspicion of an impressionistic and off-the-cuff approach to what should be grave decisions. What was to have been the bright adventure of the take-over of power by the men of the new century has rather sadly turned out to be the revelation of unpreparedness and inexperience which ex-President Truman shrewdly foresaw.

This is now painfully obvious to all concerned, the President included. His initial anxiety has now become, judging by his reaction to the Cuban affair, an acute tension from which relief can be

found in a flight from reality.

The common reaction of individuals who find themselves similarly boxed in in the context of their private lives is to abandon thought in favor of "putting my foot down", "taking a firm line," and so on: giving up all attempt to find a reasonable way out and seeking a substitute for a solution to the difficulty in action and activity, however ritualistic and futile. The President's reaction to the revelation of the complete bankruptcy of his policies for Cuba and Laos has not been to question their basis, but to evade the questioning by taking refuge in a tough line.

He did not, incidentally, sell it. The newspaper editors were suspicious of his hysterical tone, and unconvinced of the need for any further Cuban adventures. A poll showed that they were against him in this in the proportion of two-to-one. Since they are predominantly anti-Castro this shows that the President's public dive into the spinach has increased the difficulties of his domestic position as much as it has damaged his standing abroad.

How, having come apart under the strain of his first four months, he is going to stand up to the increased difficulties which face him as a result of his cracking it would be very hard to predict. All that can be said is that his magnification of the Cuban crisis shows the sort of escape route which he is likely to follow, and that the language which he now habitually uses shows that he is deeply involved in some kind of heroic fantasy of "the boy stood on the burning deck" order.

He stands there with his jaw set, the ruddy glare of the flames all about him, determined to do his duty, "regardless of the cost, regardless of the peril." As Chief-of-State and Commander-in-Chief, with three years and eight months of his term to go, he has considerable chances of making his dreams come true.



"Reliable intelligence agent".

## Nightmare of the Future:

# France Picks Up the Pieces in Algeria

by Donald Gordon

IT IS VIRTUALLY UNANIMOUSLY agreed in France now that General de Gaulle's success in mastering his former right-wing and paratroop allies means that the Algerian war will be ended in a matter of a few months at the most.

The failure of the revolution itself ended the army's long sojourn as conscience and kingmaker. The following purge — estimated at the time of writing to have involved the arrest of more than 650 persons in France and well over 1,000 in Algeria — broke the back of the right-wing political organization. All that remains now is a residual bid for those pieces that can still be salvaged from the wreckage of *Algerie Française* — a Gibraltar-type naval base at Mers-El-Kebir, some guarantees for the heavy French investment in Sahara Oil and basic protection for those of the 900,000 French citizens in Algeria who will stay behind.

There may be squabbling over the length of a "transitional" period before the Algerian Provincial Government takes over in fact as well as substance. There may be varied face-saving or face-gaining manoeuvres on each side, but it is regarded now as wholly settled that the war itself must end.

With surprising unanimity Frenchmen in most walks of life agree that

one event made this situation inevitable: The demonstrations in Algeria last December 11th. On that day, in all the big towns, Arabs by the hundreds of thousands swarmed into the streets to demonstrate physically their full support of the rebel FLN. In one stroke — in the face of shooting paratroops — the Moslem population made it unmistakably clear that it was wholly behind the rebels and that Algeria could only be held at the cost of continuing the massive military operation that already was threatening to topple France herself into a financial and social abyss.

That was the last straw. Until the December demonstration there was at least a faint hope of some success for a divide-and-rule policy if not outright integration. There was, with that hope, the faint possibility that the terror would eventually end. The FLN flags and the Arabs waving them ended that prospect and, deprived of even that glimmer, the French people have quit in disgust. And so, when the *Colons* and the army made their last desperate bid, they encountered either hostility or indifference — massive in both scale and significance.

It was made clear then for the first time, that there was no viable support

left on the mainland for the war. Even at the cost of complete failure — unlikely in view of the useful trading pawns held by each side on secondary questions — Frenchmen now want out. And with this point accepted, a whole new set of considerations has come to the fore.

First, of course, there's the negative side — the situation that will have to be tidied up.

In both Algeria and France, to begin with, there remains the challenge of the terrorist organizations that have been built up during the last six-and-a-half years. Already, under the respectable guise of patriotism, these groups have firmly established themselves in underworld activities in Paris, Marseilles and Lyons as well as in all the principal cities of Algeria.

In addition to their horrible record of terrorism (more than 3,000 killed and 7,300 wounded since January 1956 in attacks in France itself), these varied bands have their fingers deep in blackmail, counterfeiting, prostitution and drug rackets. In much the same way as some of the resistance cells went sour at the end of the Second World War, French authorities fear that the former terrorists will present the challenge of experienced professionals turning their hand to full-time crime as soon as the peace is established.

At the same time, there is the equally urgent problem of persuading the authorities to adopt a more civilized and less harshly repressive attitude towards the press. As the bitter months of the rebellion have dragged on, the French Government has inexorably broadened its intrusions into national and personal liberties. A pattern of censorship has been established and enforced that has resulted in the banning of newspapers and newspaper editions (including even the relatively pro-government *Le Monde*), the seizure of entire editions of books and periodicals and the arrest, imprisonment and beating of reporters and writers.

Successive revisions of France's laws governing the press have broadened the scope of government control to the point where now it is an offence to be involved in "the publication of false news" with the elements of accuracy in each case to be determined only by the government.



*De Gaulle's success in quashing army revolt signals end of Algerian war.*





*Algerian war is horrible record of terrorism. Since January 1956, more than 3,000 have been killed.*

The results of this censorship campaign alone have been far-reaching. Now, it's conceded that very little opinion or comment at odds with the official government line—either on Algeria or even on farm prices—gets anything close to mass circulation. And, for the future, with Algeria disposed of, the possibilities of such power being used to even grosser extremes is considered to be a significant threat to such remnants of democracy as still survive.

In addition, the police, who were initially given virtual immunity on all affairs related to Algerian control and since have extended their brutality to everyday administration, will need far-reaching indoctrination before any semblance of sanity is restored.

"The war has changed the whole character of official thinking — that is probably its biggest price," comments a leading French journalist. "The bitterness of the fighting, the extremes on each side, have blunted everyone's sensitivities. We are close to being animals with few qualities of civilization left to us. It will take a long time to restore the responsibility and perspective of many of our policemen, our soldiers and our administrators."

That's the negative problem, but at the same time some positive challenges are also demanding attention.

Most important is the question of future relations with the successor Algerian Republic. At issue there is the steady growth of extremism in Algerian rebel ranks which has taken place since fighting first broke out. In their bids for Moslem support, and in reaction to French excesses, the rebels have edged steadily towards even more egotistical doctrines.

They've offered fundamental social reforms, promising an end to *Colon* supremacy and new opportunities for Moslems in education, health services, employment opportunities and shares

of government. And, coincidentally, they laid heavy stress on Arab brotherhood at the expense of French ties.

As a result, for France, a wholly dangerous future is threatened. Instead of some semblance of a link with the French bloc with its harvest of oil from the Sahara, trans-Mediterranean trade on an enormous scale and strategic advantages, there is a very real possibility that the new Algeria will turn towards Moscow and Cairo. Even at the expense of wholesale expulsion of the roughly 400,000 Algerians now working in France to support two million at home (a not entirely likely development since France needs that cheap labor), the Algerian revolutionaries may, by preference and commitment, turn violently anti-French.

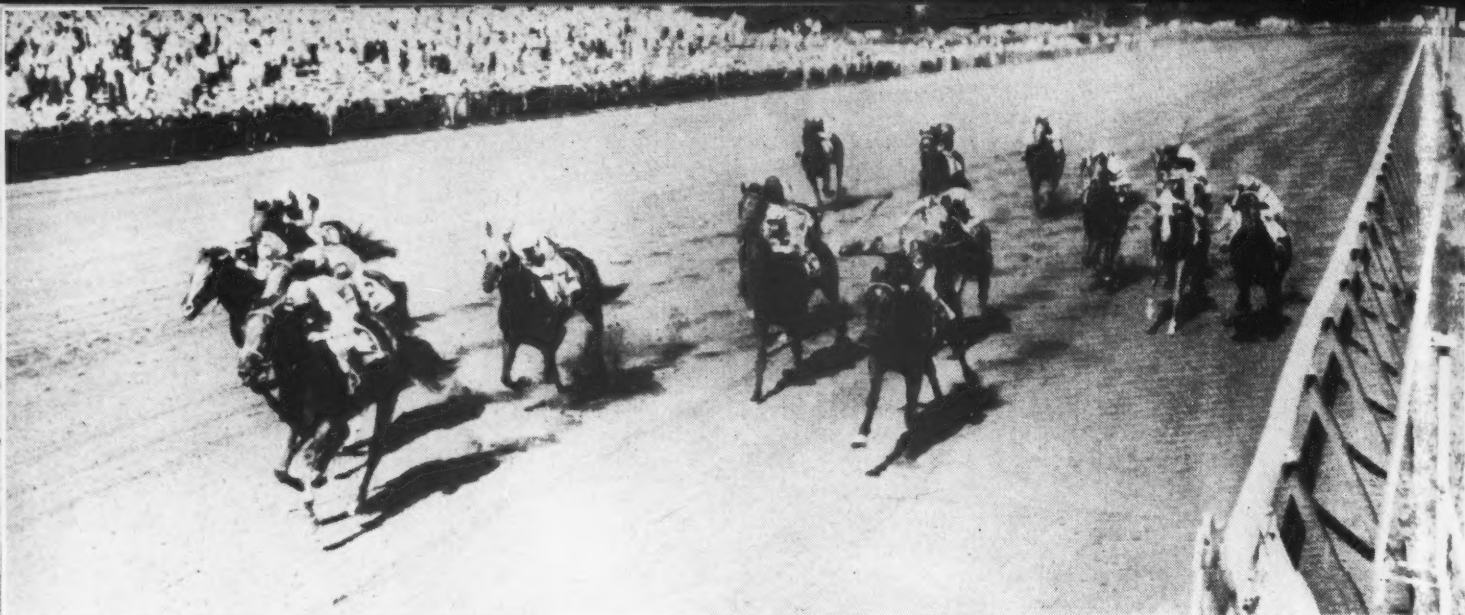
Already there have been promises of Iron Curtain technicians and loans to follow the present shipment of arms,

and in their public statements the dominant rebel leaders have come increasingly to reflect strong sympathies with the Nasser and Castro brands of neutralism. This, in turn, will bring even stronger pressure to bear on uneasy Tunisia and even Morocco to swing away from France.

That's the biggest nightmare for the future and the one that will dominate French manoeuvring for some time to come. It could bring about the downfall of de Gaulle, just as Indo-China eventually defeated Mendès-France. It could mean suddenly stirred-up interest in highly advanced political unity in Western Europe. It could mean a flare-up of neutralism costly to NATO and most other elements of the Western Alliance. It certainly will mean brooding and uncomfortable concern about the fruits of forcibly resisting self-determination regardless of the merits of the case.



*Tanks again rumbled in streets of Paris. "We are close to being animals".*



*Noble sport of horse-racing would not last long if no betting at all was permitted.*

### Gambling and the Law:

## Can the Criminal Element Be Wiped Out?

by J. D. Morton

GAMBLING and organized crime are in the news again. In Ontario, particularly, various groups are pressing for a public enquiry.

There is no need for a public enquiry. To any adult who will give a moment's thought to them, the facts are as clear now as any commission could make them.

*Definition:* Gambling involves the playing of games of chance for money, lotteries and betting. The hard core of gambling in Canada, however, is betting on sporting events, especially horse-racing.

*The Law:* Although private betting between individuals is not prohibited by the Criminal Code, book-making (i.e. the operation of a betting business) is generally prohibited, subject to certain limited exceptions as to regulated betting by persons present at the race track.

*The Citizen:* A vast number of citizens want to bet and do bet on the outcome of sporting events. The majority of these sporting gents cannot satisfy their tastes by way of private wagers and are unable to be present at the contests on which they are prepared to stake a part of their future.

To satisfy these otherwise unsatisfied urges a vast number of illegal outlets are in existence. Those citizens who have not seen a street book-maker in action must surely have at some time strayed into a tobacco store or barber's

shop in which the customers were immersed in the study of racing form.

If not, they may have observed the wide circulation of certain journals published for the racing fan. Even the most innocent citizen reading only such respectable dailies as the *Toronto Globe & Mail*, and the *Winnipeg Free Press* must have noticed the elaborate reporting of races past and forecasts of races future.

*The Dangers:* The urge to gamble is what might be called an inherent vice in man. Although theological views as to its propriety may differ, socially it is a vice in that it encourages reliance by the citizen on luck rather than work. It may also enable the spendthrift more easily to become a charge on the community.

Further, it is said that professional gamblers, being birds of prey, tend to flock together and, as an assembly of the least industrious and most unscrupulous members of society, they are collectively a great danger to society. Finally, there is a decided risk of the corruption of the sportsmen who will determine the outcome of the bet.

*Prohibition:* Should gambling be prohibited by law?

As we have seen, our society is not of one mind that it is immoral. Even if there was such unanimity, it would by no means follow that it should be prohibited by law. Adultery is regarded by most as immoral, and yet there is

no agitation for its prohibition by law.

What of the spendthrift argument? There are many other ways in which a spendthrift may throw away his money (wine, women, credit-buying). There is no popular feeling that the benevolence of the state should extend generally to save the spendthrift citizen from himself. The state does intervene to see that he is not swindled.

If prohibition were effective, it might well reduce the birds of prey and remove the risk of the manipulated sporting event. Society, however, has realized that absolute prohibition of such a deep-rooted vice cannot be effective; the evils of alcohol could not (as the Volstead Act proved) be cured by prohibiting its use.

Law can only effectively prohibit what is already repugnant to the majority of those to whom the law is directed. The urge to gamble is too fundamental to be completely eradicated.

*Regulation:* What cannot be prohibited effectively may, however, be regulated. Sensible liquor control regulations may go some way towards discouraging the excessive consumption of drink and encouraging the citizen to get home at such time and in such a condition as to be ready for his work and his family in the morning.

At the same time, it is the law of supply and demand which basically governs. Where the law does not provide a sufficient legal outlet for the urge



to drink, illegal outlets will spring up. It has been the experience that such illegal outlets present a separate danger equal in many cases to the social danger from the unregulated urge itself.

And so, Canadian criminal law does not condemn the Goddess Luck in all her attributes. The idle grandson may still inherit his grandfather's hard-won millions; the investor may still invest in penny stocks with a view to their appreciation; the farmer may still sell the old farm at a fabulous price as a site for the new super-market.

The law at the moment does provide a great many legal outlets for this human urge to gamble; it is only the operation of gambling businesses which is generally prohibited. Friends may bet between themselves or play a game of cards or dice for money without breaking the law provided that no one is taking a rake-off from the operation of the game.

Some types of professionally operated gambling games are permitted at country fairs (the Midway at the Canadian National Exhibition immediately comes to mind). Bingo games are lawful in certain circumstances, despite the fact that the operator charges a fee. And in recognition of the plain fact that the noble sport of horse-racing would not last long if no betting at all was permitted, a betting business is operated at race tracks under indirect Government control.

This pari-mutuel totalisator system, it should be noted, is not run at cost merely to provide an outlet for the "vicious" urge to gamble. Like government outlets for the urge to consume liquor, the government regulated betting system is run at a profit, the profit being shared between the racing organizations and the government.

The fact remains that these legal outlets do not satisfy the gambling urges of a large part of the population.

*Enforcement of the existing law:* Public concern over illegal gambling and organized crime is focussed on enforcement. Enforcement of anti-gambling laws presents a very special problem to the police who have been quite unfairly blamed for their failure to stamp out this form of crime.

First, it is difficult, if not impossible, to stamp out any crime without general public support. And, as I have pointed out, a very large part of the population not only is not opposed to gambling, but actively supports it.

Second, this type of crime lends itself to secrecy and it is extremely difficult to detect the identity of those organizing it.

Third, so large a part of the population wants to gamble on races and fights, that there is great profit for those who will provide facilities. This vast

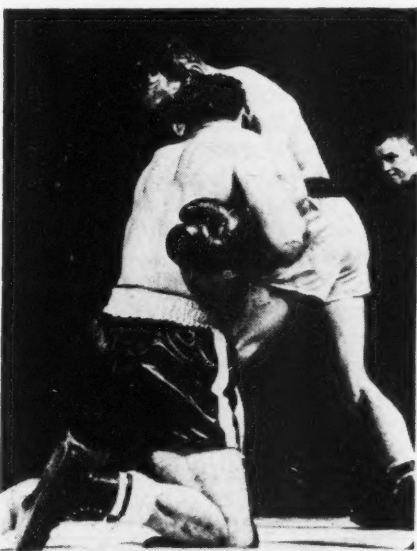
profit attracts the cleverer and best organized criminals who are prepared to go to great lengths to protect their interests. Typically, they will attempt to corrupt law enforcement officers and will not hesitate to use force to control their own subordinates or rivals.

*Side-effects* of attempted enforcement: One thing is clear: traditional police practices are inadequate to deal with the problem of enforcement. In a democratic society, police powers have been so limited as to preserve certain basic values in society. One of these basic values is the citizen's right to privacy. Historically, we have not set out to catch criminals whatever the cost in other values — we have preferred to let some criminals go in order that the type of society we want should survive.

Police forces, under great pressure for enforcement, naturally seek the wider powers without which they can do little. They seek legal authority to tap telephone lines, to place recording or transmitting devices in private premises. Furthermore, there is a grave temptation to satisfy the demand for enforcement by extra-legal means such as the entry and search of suspected premises without first obtaining the necessary warrant.

In view of the dangers to these basic values, the near-impossibility of enforcement, the risk of corruption of public officers, and the tolerance of gambling in other forms, the informed citizen may well conclude that the present game is not worth the candle. Could not the law be changed so as to bring about a more desirable state of affairs?

*Possible Solutions:* (1) Remove all legal restrictions on gambling. This can be rejected summarily as it would be properly rejected by the sensible citizen. Within two weeks we would be up to our necks in birds of prey!



Public will bet on fights, anything.

(2) Revise the criminal law so as to extend the pari-mutuel type of organized gambling under government control i.e., provide state-managed outlets for the unsatisfied urges. This is what has been done in most Canadian provinces for the sale of intoxicants.

This suggestion, even if coupled with the creation of a State Lottery, is unlikely to attract much popular support if public attitudes towards state liquor outlets are any criterion. Furthermore, there is a substantial distinction between official toleration of what must in social terms be labelled vice and the active management and promotion of such vice.

(3) Revise the present law so as to tolerate more gambling but at the same time impose stringent controls. In other words, license certain forms of gambling which are now prohibited. To be specific I would propose that either one national licensing board or a series of provincial licensing boards be set up and that they be empowered.

(a) to permit the operation of certain lotteries operated for purposes other than that of private profit to the operator (e.g., a hospital lottery like the Irish Sweepstake).

(b) to license persons under the most stringent conditions as to character and financial backing, to engage in the business of book-making for personal profit. Book-making in this context would include the taking of wagers depending on the outcome of any sporting event whether singly or in combination with other events. This would be wide enough to include the football-pool type bet for which there appears to be considerable demand.

Where would this final licensing proposal leave the gambling clubs? The fact, so far as it can be ascertained, is that there is no popular support for these anti-social institutions which are in large part no more than thieves' kitchens. The prohibition against such clubs should be continued; they would be unlikely to gain customary support from licensed book-makers who, given an opportunity to operate legitimately, would have little to gain from the marginal profits from the clubs.

There are, of course, objections to this proposal. The danger of notorious criminals hiding behind nominees would certainly exist. On the other hand, things would have been brought substantially into the open with a consequent increased efficiency on the part of the law enforcement authorities.

People who want to bet, will bet. This proposal will better regulate them. As to their moral standards in wishing to do so, it is not the province of the law to gauge. Some other form of social action will have to cope with that problem.

## Books

by Kildare Dobbs



Beatnik craze beats no more.

WHEN I FIRST READ Jack Kerouac's *On the Road* in 1958 I was myself on the road. Unlike the happy beats in the novel, who were running like crazy all over the United States in search of kicks, I was travelling *a mari* (sedately) *usque ad mare* selling books (including *On the Road*) and Bibles, drinking in the evenings with librarians and other quadrangular types when I was not hiding the bottles from Bible-buyers.

It struck me at the time that the only people to see Canada whole are Governors-General and travelling salesmen — strictly squares, riding on the old smile and shoeshine rather than on heroin, morphine, opium, palfium, peyote, marijuana or whatever junk is the fashionable tippie. Nevertheless, even in Canada Kerouac's book quickly became news and the Beat Generation was indignantly discussed wherever *Time* is read. Though I couldn't sell the book to anyone, in a very few months beatniks had broken out all over the place.

Beat was a North American craze which had little to do with art or literature, though some writers of talent were connected with it. Like other crazes it died out fast. Now, as proof that Beat beats no more, here is an anthology in which some of its more durable fragments have been embalmed: *A Casebook on the Beat*

## Fags, Bull-Dykes and Gassers

edited by Thomas Parkinson, who appears to be a bibliographical scholar and who, the blurb tells us, is "a poet in his own right". (What would a poet be who wasn't in his own right, I wonder?)

The selection includes Allen Ginsberg's *Howl* and some of the writings of Kerouac, Gregory Corso, William S. Burroughs, Lawrence Ferlinghetti and others: it provides also a big section of Criticism and Commentary, both for and against Beat. The appendix contains a bibliography, which was to be expected, and also a list of suggested problems — which wasn't.

Perhaps the problems are intended as a set of useful hints for reviewers. Here e.g. is number 5: "Make a list of articles printed in 1958 by Kenneth Rexroth that are *not* on the subject of the Beat Generation. Describe in one sentence the subject of each." Very beat, that.

Odd though the format of this "case-book" may be, I hasten to assert that its contents are fascinating. There seem to have been many contradictions in the nature of Beat. It was praised as a rebellion. Yet the hipster admired by most beat writers is not active enough to be a rebel. He is above all cool, withdrawn, lethargic as he glides or creeps from pad to pad, signalling that he is about to cut out or blow by the single word: "Later . . ."

His enthusiasms, such as they are, are conveyed tersely by "Crazy, man." He maintains his deep freeze of the emotions by means of junk or narcotics and this addiction sometimes gives him, paradoxically, "a new grim interest in the economy". It seems to have been extraordinarily difficult to resign from the human race, even from the human rat-race.

The beat writers themselves were for the most part not cool but *hot*

— running about aimlessly like ants whose anthill has been rooted up — a parody of the commuting squares they despised. The literary movement began in San Francisco, initiated by Allen Ginsberg and others "who reappeared on the West Coast investigating the FBI in beards and shorts with big pacifist eyes sexy in their dark skin passing out incomprehensible leaflets." Their method of writing, which sought to restore to poetry and prose the immediacy of spoken language, was inspired by the same impulse as action painting, or the spontaneous improvisations of the jazz musician.

According to Kerouac the thing was to "write outwards swimming in a sea of language to peripheral release and exhaustion": the unpardonable sin was to make corrections or improvements. In this longing for spontaneity the beats were much like other Americans who believe profoundly that any sort of artifice or craft — in diplomacy, in religion, in show-business — is wrong, is wicked, is un-American. Some of the beat writing in this anthology has the same failings as a Baptist sermon: it manages spontaneity only by stringing together clichés.

There is no doubt that Beat expressed something profoundly American. Even its flirtation with crime, madness and violence was characteristic of this sub-continent. Suburban life builds up, even in the squares who really dig it, a sort of inward scream that has to find a way out. You have only to look at *Esquire* magazine to see this: the articles and stories tend to be about violence, madness, perversion, dope-addiction; the jokes tend to be sick.

All this is got up in the glossier and most beautiful and costly pages, interspersed with the likenesses of crew-



cut Ivy League types advertising shantung silk suits or male perfume. Every morning the prosperous square buttons the scream into one of those immaculate suits. The Beat writers let it go as a *Howl* or a *Peyote Poem*.

One of the aspects of Beat that annoyed some observers was its pretension to religious profundity. The beats contributed to American culture their own personal misunderstandings of Zen, itself a Japanese misunderstanding of Chinese Buddhism. Essentially, however, they seem to have been in the tradition of Methodism or sentimental Christianity, holding to the sort of faith which imagines e.g. that, if we ignore the threat of nuclear attack, it will go away, and that the main thing is to feel good. This religion was mixed up with Reichian notions about sex, the orgone box taking the place of the confessional.

Beat, then, was a mixture of all sorts of unlikely elements — bohemianism, negro jazz slang, junk, homosexuality, Zen, Walt Whitman, existentialism, anarchism, Methodism, pacifism. It was not so much a negation as an evasion of the corrupt American society from which it arose. It died very quickly from a lack of acceptance and from a want of intelligent inspiration.

One of the best things in Professor Parkinson's *Casebook* is a sustained piece of invective, "The Know-Nothing Bohemians" by Norman Podhoretz. This essay, which appeared originally in *Partisan Review* in Spring 1958, is an eloquent denunciation of the whole Beat movement, particularly of Kerouac. One passage is uncomfortably prophetic. Discussing Norman Mailer, who though not a beat writer (he is probably much too talented to qualify) had some affinities with Beat, he says this:

"Not long ago, Norman Mailer suggested that the rise of the hipster may represent 'the first wind of a second revolution in this century, moving not forward toward action and more rational equitable distribution, but backward toward being and the secrets of human energy.' To tell the truth, whenever I hear anyone talking about instinct and being and the secrets of human energy, I get nervous; next thing you know he'll be saying that violence is just fine, and then I begin wondering whether he really thinks that kicking someone in the teeth or picking a knife between his ribs are deeds to be admired."

Impossible not to recall that hardly three years after this was written, Mailer was charged with knifing his unfortunate wife. This, of course, is to argue *ad hominem*, but Podhoretz makes his prophecy from an astute reading of the writing, not from per-

sonal knowledge of the man. And his conclusion is:

"Being for or against what the Beat Generation stands for has to do with denying that incoherence is superior to precision; that ignorance is superior to knowledge; that the exercise of mind and discrimination is a form of death." For after all there can be no justification for any rebellion which is not a revolt of intelligence (in the fullest sense) against stupidity.

Parkinson does not, in his own essay, (modestly placed in the body of the book rather than up front as an introduction) make any extravagant claims for the writers whose work he is displaying. He regards Beat as social phenomenon rather than a literary movement, but he thinks it may have embodied a valuable literary impulse. There's no doubt that it has been influential.

Even in Toronto (a longish step from San Francisco) there are groups of young poets happily reading to night-club audiences, convinced that they are learning to write for the voice. I am told that when Kenneth Rexroth recently visited Toronto to take part in the CBC program *Fighting Words* one of these shaggy poets called him at his hotel: "Come on over to the pad, man. Like it's crazy . . ." Rexroth countered with a lifetime ploy. "I don't understand what you're talking about. Why don't you speak English?"

I find myself remembering Yeats's refusal to praise his imitators — "Was there ever dog that praised his fleas?"

**A Casebook on the Beat**, edited by Thomas Parkinson — *Ambassador* — \$4.95.

### Unknown Brontë

*The Infernal World of Branwell Brontë* is an ideal antidote to the usual success-studded biography. In fact it is difficult to imagine more complete failure than that suffered by the Brontë sisters' only brother in his short, tragic life.

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The difficulty of writing about such a man, especially when much of his life



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was spent in the grim seclusion of the Haworth parsonage, is that the evidence which survives him is so slight, even when he has three famous sisters. Why was he refused admission to the Royal Academy? No one really knows. Why was he dismissed by the Robinsons? Mr. Robinson speaks of a crime "beyond expression", but this could have covered a great deal in the 1840's.

Daphne du Maurier attempts to fill the gaps by recreating the twisted mental world into which he was prone to retreat. The gaps are so many that such a reconstruction involves a lot of conjecture and does not always make very interesting reading. R.T.C.W.

**The Infernal World of Branwell Brontë,**  
by Daphne du Maurier — Doubleday  
— \$4.25.

### White on Black

THE DOCTRINE of apartheid with all its unattractive implications has already produced a number of books — most notably perhaps Father Huddleston's *Naught for your Comfort*. *Brief Authority* by Charles Hooper is another of this genre and it provides one more convincing indictment of the most evil government this side of the Iron Curtain.

In 1955, when Father Hooper was appointed Anglican missionary to the Bafurutse tribe—a simple and peaceable people living close to the borders of Bechuanaland—there was peace over their land. But the new laws had already produced a profound sense of unease and, when the government decreed that the women would in future, like the men, carry Reference Books, they refused.

Inevitably this brought retribution in the form of the monotonous and sickeningly familiar police violence. By the time Father Hooper himself was banned from the district, the easy-going tribal life of old had been shattered.

In spite of his initial determination to keep separate the realms of Caesar and God, Father Hooper found it increasingly difficult not to side openly with the Africans as outrage was piled on outrage. This book, as he himself admits, is written from his parishioners' point of view but he has told his sombre tale quietly and he has been scrupulously careful not to exaggerate or to present anything as fact which he himself has not checked.

The result is a poignant study of a powerless majority subjected to the rule of a demented minority. R.T.C.W.

**Brief Authority** by Charles Hooper — Collins — \$4.50.





# Report on the Economy

- *Economic Problems*
- *National Growth*
- *Unemployment*

**T**HE PROBLEMS which beset Canada's economic life are vexatious and intractable. But they affect every one of us.

Internally, our war-distorted economy has stagnated. In the past decade, only in 1956 has our economy expanded adequately. The result has been our calamitous rate of unemployment—the highest in the Western world—and vast idle capacity in both manufacturing plant and primary industry.

Externally, we have been poor businessmen. We buy more than we sell, especially in our dealings with the United States. To make up the deficit, we borrow, also from abroad, and encourage foreign investment. The result has been a staggering increase in our debt servicing costs and dividend payments to foreign investors. In addition, of course, we have sacrificed much of the ownership and control of our industry. It is difficult now to credit the bland assurances that this policy will provide us with the means of production which in turn will enable us to increase our exports and so reduce our heavy imbalance.

We face increasingly competitive international markets. Regional groupings with tariff advantages for members seem destined to work against Canada's interests. Current proposals for greater monetary convertibility and expansion in international financial institutions may work to reduce

Canadian ability to trade.

Do these problems seem remote? There are few Canadian businesses indeed which are unaffected by competition from other countries, either in what they buy or in what they sell. When the delicate balance of the foreign exchange market, which links the currencies of the world, is upset, everyone is affected.

It is only necessary to recall the difficulties of 1931 when the pound sterling and many other currencies were driven off the gold standard to realize the magnitude of our involvement. At that time, the pound went down and the U.S. dollar went up. The result was that we found ourselves selling cheap (in sterling) and buying dear (in U.S. dollars).

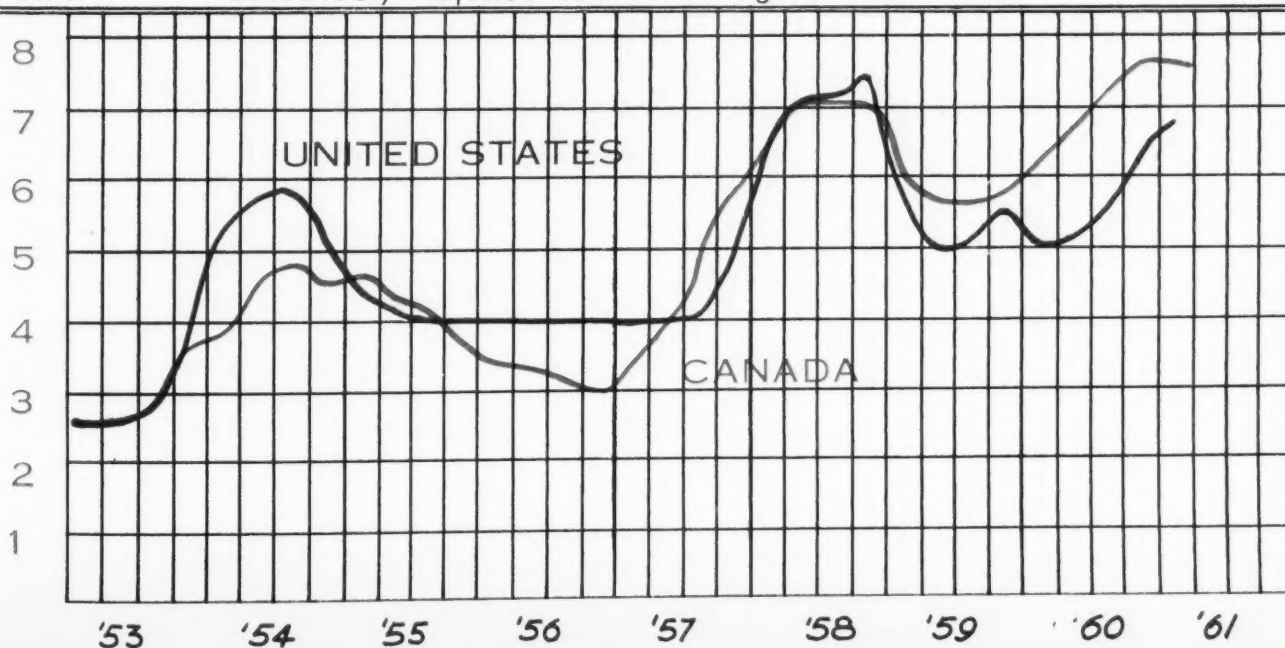
We have done precious little to meet these problems. We have no national policy for economic growth — at least none that is apparent. When J. E. Coyne, Governor of the Bank of Canada, first began pointing out the dangers of our position, what should have developed into a national debate on economic policy degenerated into petty squabbling and name-calling.

The articles which follow are designed to illustrate the need for a national policy for economic growth, to show what such a policy must contain and to suggest ways in which such a policy might be implemented.

## UNEMPLOYMENT

PER  
CENT

Seasonably Adjusted as a Percentage of Labor Force





## Sound Policy for the World's Economies

by A. N. McLeod

EARLY IN MARCH this year the central bankers of Europe found themselves faced with a potentially nasty situation of the type that has so often snowballed in the past and brought strong currencies down. A wave of international movements of speculative capital was set off by the revaluation of the West German mark and the Dutch guilder; this despite the fact that these revaluations were intended specifically to help stabilise international financial markets.

The speculators thought, however, that further appreciation of both currencies might be found necessary, and that other countries might be similarly affected, so funds began to flow out of sterling (and also U.S. dollars) into German marks, Swiss and French francs, and some other currencies.

To discourage these movements of "hot money" and to minimise the repercussions, the major central banks of Europe agreed to co-operate closely in the exchange markets and to hold each others' currencies to a greater extent than previously. They also agreed to undertake short-term lending of needed currencies among themselves.

The full details of these arrangements have not yet been made public, but it is clear that they have succeeded, for the time being at least, in ending what could have been a very unpleasant situation.

Does the successful co-operation of European central banks on this occasion mean that those theoreticians like E. M. Bernstein and Robert Triffin, who have been proposing new ways to increase international currency reserves, are wasting their time? That all's right with the world after all?

No. On the contrary, it underlines the importance of the problem the theoreticians are warning us about, and the urgent need to devise permanent remedial measures instead of relying on temporary stop-gap arrangements. But it also emphasises the need for a careful reassessment of the entire situation to make sure that we are not getting our priorities upside-down.

First of all, let us look back at the record, for the story starts back in the 1920's. Disturbing parallels can be drawn between then and now. In those days it was widely acknowledged that there was a shortage of gold for use as international reserves; today there is similar widespread concern over the adequacy of international reserves. In those days there was also much concern over the spread of the "gold exchange" standard, which used gold-convertible currencies instead of physical gold; today there is disquiet over reliance on national currencies as international reserves.

(There is even much parallelism in the solutions proposed then and now. When the Bank for International Settlements was founded in 1930 it was hoped that it would become a super central bank, as its name implies; and in 1939 J. E. Meade suggested a plan (in his *The Economic Basis of a Durable Peace*) for an international currency and a world central bank.)

The forebodings of that earlier generation of economists were soon proven right by the virtual collapse of the international exchange mechanism in 1931, when speculative "runs" broke

currency after currency; in the end even sterling was driven off the gold standard.

But let us look a little closer. Among other things we may note the following:

- It is clear that the currency collapse of 1931 was not itself the fundamental cause of the troubles of those times; in the light of subsequent developments in economic analysis (notably Keynes' *General Theory*) we can now see that a major part of the difficulty lay in a serious imbalance between the level of savings and the level of investments of the world as a whole. This would have brought about severe deflationary troubles even if the entire world had been a unified economy with a single currency.

- The only known "remedy" at the time, however, was no remedy at all: it was for each country to submit itself to internal deflation, as if it had been indulging in inflationary excesses that needed to be corrected. The result was a competition in deflation, which drove production and employment relentlessly down everywhere.

- The exchange mechanism was simply one of the weak points at which the structure cracked under strain. The





effective rates of deflation were different in different countries, and those countries where deflation was going less rapidly tended to lose their reserves. Thus any country that was reluctant to join the deflation scramble soon found its exchange reserves running out, and was faced with the unpleasant choice of either letting its exchange rate go or intensifying its domestic belt-tightening.

● But the mere abandoning of rigid exchange rates did not solve the problem either, and could not possibly do so, because it did not solve the fundamental imbalance in the saving-investment relationship. Competitive depreciation proved no better than competitive deflation; it only meant that the "race for the bottom" took a different form.

Nevertheless the disruption of the exchange markets certainly did aggravate the troubles of the 1930's. It disorganized trade, interfered with the international division of labor, provoked new flights of hot money which further disturbed international exchange markets, bankrupted important business firms, and generally wrought havoc. Furthermore there is little doubt that the same thing could happen again, as the recent speculation against the U.S. dollar and sterling has shown.

Additional improvements in the international exchange system are surely needed, particularly to remedy its continuing vulnerability to runs on the key currencies that are customarily held as exchange reserves. Probably the ultimate answer will indeed prove to be something resembling a super central bank.

If a super central bank seems to be the ultimate answer to the problem of international liquidity, why not get busy and set it up at once? Three reasons may be offered for making haste slowly.

First, there are a number of practical obstacles to be overcome before such an institution could operate successfully. Second, the existing arrangements for meeting an exchange crisis are much better than most people realize — certainly far superior to anything available thirty years ago — and can be further bolstered without running into the practical obstacles that lie in the way of a super central bank.

Third, there are other international economic risks that are even more in need of attention. If we can protect ourselves from these latter, then liquidity crises will be very unlikely; but if we cannot do so, then new safeguards for liquidity, no matter how ingenious, cannot save us from serious trouble.

What are the practical obstacles to a super central bank?

Robert Triffin in *Gold and the Dollar*

*Crisis* asserts that "the only major objection" to his proposal is that the Fund's expanded lending capacity could, if improperly used, impart a strong inflationary bias to the world economy.

Nevertheless his proposed solution, which is to limit the Fund's lending power arbitrarily so as to hold the increase of international reserves within a range of say 3% to 5% per annum, is far too mechanistic. It resembles the impractical proposals put forward in some quarters, that national central banks should abdicate their powers of money management and allow the money supply to grow at some uniform rate per annum.

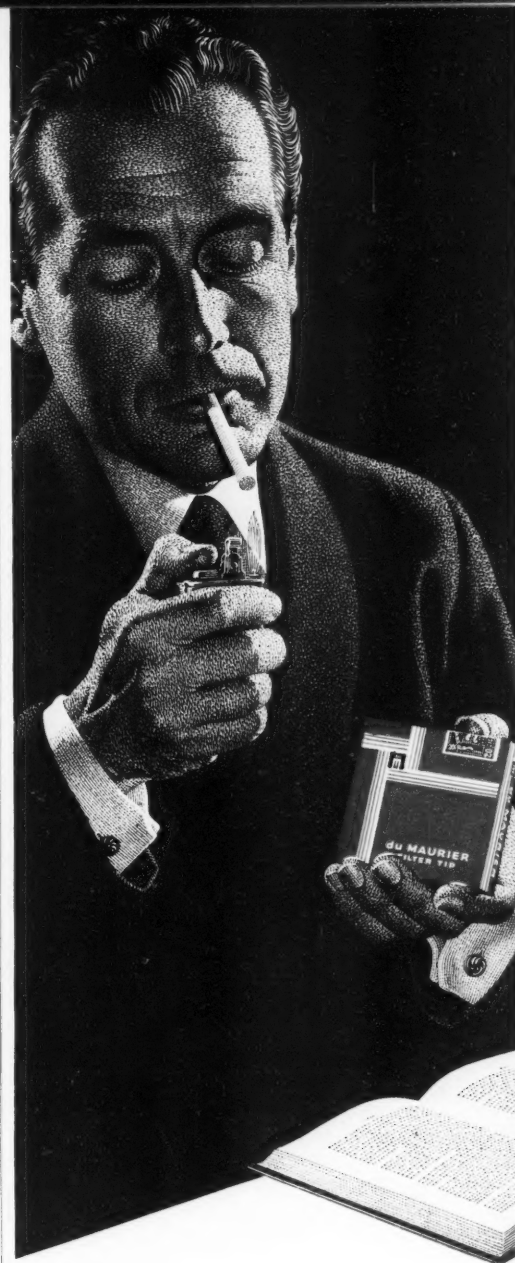
Indeed, this is a highly oversimplified version of what is involved. It is not just a matter of a mechanical limit on central bank lending, it is a matter of integrating monetary policy with fiscal policy and other economic policies. At the national level we learned this lesson long ago, though the same problems keep arising in new forms as the objectives of economic policy become ever more complex and thus raise new possibilities of mutual incompatibilities. (That is why the dispute over how independent a central bank should be from governmental control never seems to get finally settled—the boundary line shifts as policy objectives change.)

At the international level the same thing applies, and it would be neither proper nor wise to invest an international central bank with full control over international monetary policy until there are effective international institutions or procedures capable of formulating and carrying out general economic policies.

(It is interesting to note that Meade, in the book already mentioned, links his International Monetary Authority with what he calls an International Organization that is capable of military and political decision. He concludes that member states must have similar economic structures and policies if his international currency system is to work.)

Furthermore, the need to press on towards a true super central bank, in order to ensure adequate international liquidity, is less urgent than it may seem. For example, the usefulness of the International Monetary Fund in its present form is much greater than may be realised. For one thing, its resources can be expanded from time to time by quota increases, though of course this procedure is somewhat cumbersome.

Of probably much greater importance, should a real crisis arise, is the fact that the Fund offers a mechanism for devising *ad hoc* measures under conditions most likely to produce effective



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tive international co-operation. It may be criticised for being somewhat indecisive in normal times, but it is capable of effective action in case of need.

It is widely recognised that the Fund's resources are more fully useable now that in practice most major currencies are convertible into one another. Perhaps even more important, however, is the fact that virtually *all* the world's currencies are freely convertible *into goods*.

The real limitation on the use of the currencies of most Fund members in earlier years was that the productive capacities of the countries concerned were stretched to the limit and any additional demand would have given rise to intolerable inflationary pressure; they could not have allowed other countries to get additional claims on their physical output by drawing their currencies from the Fund, even if others had wanted to get them.

Now there are few countries that would reject added export orders for this reason, and Fund aid is no longer limited to its holdings of U.S. dollars and a few other hard currencies. In fact, even minor currencies could now be made use of in a pinch — afghanis, pesos, cruzeiros, yuans, dinars, bolivianos, and all — as long as the borrowing country had purchases to make in these countries; and they in turn would have little reason to object, since their own drawing rights would be enhanced correspondingly.

In addition there are relatively simple but important further steps that can be taken through international co-operation to improve the international exchange mechanism, short of establishing a super central bank. Some further progress of this kind may very well be made at the next annual meeting of the Fund. Bernstein's proposals and the practical example of the European central bankers indicate the sort of thing that can be done, and how useful it may be.

Indeed, *ad hoc* arrangements of this kind have two important virtues: they are flexible, and the direct interest of all partners assures a discipline in their use that may be lacking under arrangements whereby any country can as a matter of right call upon an international pool of reserves.

As a matter of fact, even the use of key national currencies as international reserves is less questionable than some of the criticisms would seem to imply. The value of sterling or the U.S. dollar for such purposes is not measured simply by their convertibility into gold. Rather, they should be viewed primarily as claims on the productive capacity of Great Britain (or indeed the entire sterling area) or the U.S.A.; they are



valuable because of what can be bought with them, rather than what they can be converted into.

That is why sterling was surprisingly acceptable as a reserve currency by many countries even when it was least convertible. There is a close parallel here with the old idea that the value of a paper currency could only be maintained as long as it was readily convertible into gold, whereas experience shows that a well managed paper currency can maintain its value indefinitely without any such provision. When there is a run on one currency it can usually be met quite satisfactorily by supplying another, so co-operative measures between central banks can cope with the situation.

Now, after discussing the obstacles to be overcome before a super central bank can be established, and after seeing that alternative defences against an exchange crisis are quite impressive after all, it is time to look at those other international economic risks that were mentioned.

Thirty years ago the real difficulty, as we have seen, was not in the exchange markets at all, but in the basic processes by which the community's savings are put to work. In the intervening years we have learned a great deal about these matters. At the end of the War, Canada passed a Full Employment Act; the U.S.A., the U.K., and a number of other countries similarly pledged themselves to maintain full employment. So of course we can take it for granted that *that* problem won't bother us any more . . .

Or can we? What about the fact that unemployment has continuously exceeded 5% in Canada since August 1957, allowing for seasonal factors, and has tended to grow worse at the corresponding point of each successive business cycle since the early 1950's? (The ratio has been only slightly lower in the U.S.A.; see chart p. 21).

Is it just a coincidence that concern over international liquidity grows with unemployment in North America? Is there any significance in the fact that there is virtual stagnation in many raw-material-producing countries (which are often the first to feel depression)? It would be a rash theoretician who claimed we now know all there is to know about full employment.

It was early recognised that maintaining full employment is particularly difficult in open economies like Canada, unless it is also effectively maintained in the rest of the world. Interest rates cannot be reduced very much below world levels without inducing a capital outflow or some other distortion, instead of encouraging new domestic investment, so monetary policy is handi-

capped. The stimulating effects of any increase in spending rapidly leak away in increased imports, so vigorous fiscal measures will lead to an exchange drain; this may cause fears that devaluation or depreciation will eventually become necessary, and may set off a flight of capital.

Nevertheless, very little has been done to meet these problems by co-ordinated international action of any kind. It has been tacitly assumed that all will be well if each country keeps its own house in order — though of course it is recognised that this must not be done by "beggar my neighbor" policies that merely export unemployment and put the burden of adjustment on someone else. Unfortunately, however, a recession does not affect all countries at exactly the same time.

Recession may start in one or a few countries and perhaps deepen into depression while other countries continue to prosper for a while, though in due course the infection is likely to spread. The consequence is that recession could gain considerable headway before the general peril was recognised. It could knock over a string of countries one after another like ninepins, in just the same way that flows of hot money can knock over a succession of national currencies.

Indeed, today even the U.S.A. is finding it is an open economy too. For many years it has been common to look on it as being virtually a closed economy, capable of following any domestic policy it chose with little or no regard for what was going on in the rest of the world, because of its great size and the diversity of its resources and industries. The events of the last few years have dramatically shown the falsity of these views.

There have been major drains on U.S. gold resources, there has been speculation about possible devaluation of the dollar, and American industry has felt the cold breath of competition from foreign industry in a way that is beyond the memory of this generation. The U.S.A. now finds that its monetary policy is circumscribed because any reduction in interest rates would run the risk of bringing a renewal of the gold drain. Attempts to cure unemployment by massive spending would worsen the already difficult balance-of-payments position, and postpone the necessary adjustments of prices and costs.

Perhaps a reminder ought to be inserted here that the U.S.A. and Canada have actually gained immeasurably in real income from the general prosperity of the western trading world, and are continuing to gain from it. It is true that revival abroad has made some eco-

nomic adjustments necessary in North America, but that is part of the price of progress, and is being more than repaid in other ways.

What is really involved here is a recognition of the fact that, in order to obtain the full benefits of the international division of labor, it is necessary to submit to the discipline of international competition.

All this brings it directly home to us in North America that sound domestic policies are necessary in today's competitive world. Many countries, particularly in Europe, have suffered severely from two major inflations within living memory and now seem determined to follow prudent financial policies. North America must take a fresh look at its own domestic policies, and recognise that it is no longer possible to take a tolerant view of rising price trends, secure in the knowledge that inflationary pressures abroad will more than offset the effects of carelessness at home.

No longer can we talk glibly of the choice between stable prices and full employment; that might do in a hypothetical closed economy, but in the practical world of today we must achieve *both* stable prices and full employment.

So it appears, then, that the economic policy the world most needs is to maintain full employment effectively. This in turn requires two things: on the international side, better co-ordination of economic policies; on the domestic side, the simultaneous achievement of full employment and stable prices. With these broad objectives achieved, the problems of international liquidity should not prove too hard to solve, but without them no improvement in the international exchange mechanism is likely to stave off serious trouble.

Can we do it?

As long as the world as a whole maintains reasonably full employment, any one country should be able to do the same while keeping its domestic price level stable; many are doing pretty well at this as it is. It is in the international sphere that the greatest difficulty is likely to arise.

A beginning might be made in the form of an exchange of information on prospective domestic investment programs, through existing international institutions (say, the IMF or the International Bank). Information would also be required on the sources from which these investments would be financed.

After some experience at correlating these various programs, and comparing actual results each year, it should be possible to recognise general deflationary or inflationary situations in advance and devise countermeasures.



## Wanted: A National Economic Policy

by H. Paul Simon

CANADA'S MONEY MANAGER, J. E. Coyne, Governor of The Bank of Canada, faces a singularly unnerving task: to get hold of an economic policy.

A National Economic Policy must of necessity precede monetary measures. Coyne ought to be commended rather than condemned for his courage — as well as for his charity towards a bewildered Government — in speaking up about the major economic problems facing Canada today, and in trying to point out certain areas in which it seems possible to him that solutions can be found.

The Governor has been assailed by academic economists, by means of a curious letter, in which the signatories declare themselves "puzzled and distressed by the economic reasoning" contained in Coyne's public statements, for which he is awarded the marks of an incompetent. Individual economists have since followed up with statements which by their mutual contradictions prove that Canada is fast becoming the junkyard for economic theories and remedies which have long ago been contemptuously discarded by the more enlightened countries of the West.

The Governor has understated his case, that this Nation's economy is on the verge of a great crisis, that emergency measures must be taken to stop a further slide, and that a planned policy must be evolved for long-term and balanced growth. The obstacles to this are enormous, as is the challenge: not only are we likely to be hamstrung by our horse-and-buggy Constitution of 1867 in our efforts to plan and direct our 1961 affairs, especially in fields such as education, but a vast confusion of contradictory and ignorant opinion pervades our divided National House, in which the blind continue to lead by default.

That the Liberal and Conservative parties have become indistinguishable in our society is largely explained by the basic character of our economy: our primary export industries are free-

trade and low-tariff oriented; our secondary manufacturing industries tend toward protectionism. The former find a rationale of sorts in *laissez-faire* Liberalism, the latter in *je ne sais quoi*.

The trouble is that the interests of both groups of industries, like their political affiliates, are tied together. This means that there is no meaningful choice between "Free-Trade" and "Protection", as both are merely contrasting aspects of one and the same unplanned economy. The only meaningful alternative is the planned economy.

In our unplanned economy, we face the ever recurring problems of "boom" and "bust", of "deficit financing" versus the "sound dollar", etc. We are now expected to become vastly impressed by the argument that we should spend in the "public", rather than the "private sector" of our economy.

If we continue to accept these as meaningful choices, we but insult our own native intelligence, and shall invariably get the kind of Government we deserve. It is about time that we should seek to avoid being slung between extremes, and that we should begin to apply, without fear or favor, the dictates of human reason in planning our affairs.

In the minds of too many, a "planned" economy is synonymous with a "controlled" economy. There is a vast difference: a planned economy starts with a composite list of the needs to be met and the tasks to be performed under a priority allocation and a plan to match resources to the requirements of each task.

There is control on the execution of the plans; deadlines must be met, cost limits must be observed. A controlled economy leaves the planning to all and sundry, with little or no effort to co-ordinate or allocate priorities and resources. Plans can go in all, and therefore conflicting, directions.

Much is made of the maliciously false charge that planning means the

inevitable decay of democratic rights under the presumptive growth of "Big Brother" government. It is patently easier for one voice in a free Parliament to rouse the Nation's conscience against the attempted rape of essential rights, than for one shareholder to attempt the same at a corporation meeting. There are also those who proclaim with a fervor equalling their ignorance, that national planning is wasteful inefficiency.

What then, of Europe's Common Market, which was carefully planned by six Governments? We are told that this has resulted in a dynamic economy, posing a great competitive threat to Canada. Yet, both Donald Fleming and Walter Gordon reject national planning, the latter in blissful ignorance of the advice given to clients by his own Management Consulting firm, that management must plan.

Things are getting "curiouser and curiouser". No doubt both gentlemen are knowledgeable men; but perhaps it is better not to know so much than to "know so many things that ain't so".

A prerequisite for planning is that we must have control over our affairs, and it is here that we face a major decision. This nation's prime guarantee for economic survival lies in its wealth of raw materials. These gifts of Canadian nature, which belong to the Canadian people, have become prematurely mortgaged. We have lost control over our iron ore, our oil, our mineral wealth, our forestry resources, as well as over the primary and secondary industries which form a strategically significant part of our economy.

Those who have gained control can touch this country's lifeline. The risk of this happening may not loom large at present, but action must be planned and phased now to eliminate this risk before the increased need for our resources on the part of those who control them, comes into conflict with our need to use our resources in multi-lateral trade.



The forecast made by the Paley Commission of the United States' economy's need for Canadian raw materials by 1975 may well have parked some of the considerable inflow of funds from the U.S. to assure control in good time. The extent of such control may be realized from the fact that total U.S. cumulative direct investments in Canada at the close of 1959 equalled the combined comparable U.S. investments in all of Latin America and the European Common Market put together.

Our guarantee for the future lies in our continued ability to sell raw materials, rather than manufactured goods. The U.S. and Europe, in general, need our manufactured products like the proverbial hole in the head: they make their own, with lots to spare. The American parent companies of our Canadian manufacturing subsidiaries have been busy erecting branch and subsidiary plants within the Common Market countries. Does anyone seriously expect these parent companies to permit their Canadian subsidiaries to compete within the Common Market with these newly erected branch-plants?

This leaves the developing and dis-inherited areas of our world. Here, the pattern is as simple as it is clear: a people, having achieved political independence, at once directs its fervor towards the fulfillment of its legitimate desire to "make its own things", to industrialize.

We of the affluent West shall have to face one day soon the reality of a world in which the economic laggards of today will have created their own heavy and secondary manufacturing industry, thus shrinking our export markets. On that day, "economic imperialism" will be a charge that economic growth will have struck from the rolls of political indictment.

In the meantime, our chances for trade with these areas are slim as long as the gap keeps widening between the price at which we import their produce and the price at which we sell ours. During 1953-58, GATT reports, this gap of poverty widened by another U.S. \$1 billion.

In view of this, we may safely assume that our secondary manufacturing establishment will have to base itself evermore on its domestic market. The growth of this market depends primarily on the birth of babies. Every time a baby is born, a life-cycle of human requirements is set in motion.

Planning for economic growth starts with an inventory of the population and a forecast of its needs and growth. As cycles are forecast in either population total or its mix between old, productive and young, an enlightened (if

planned) immigration policy can help smooth their foreseeable effects on the size of markets for types of products.

A sound education policy can keep children out of the labor force where, under present technological and educational requirements, they tend to become debris. A flexible employment policy can offer to retain older workers in time of labor shortages, or adjust working hours.

Economic growth must aim not so much at maintaining an equal slice of pie per man per year, as to increase the slice of pie. Rather than to provide extra purchasing power by means of higher nominal wages, this can be achieved through forcing lower prices, as has been successfully demonstrated by Germany's Prof. Erhard.

An astute taxation policy can offer incentives on a *quid pro quo* basis: if you'll lower your prices, we'll lower your taxes. Or it can tax more wherever economic frills and waste occur.

Last, but not least, the Government must control investment and capital expansion which at present take place in a largely unco-ordinated fashion. Overexpansion results, and the consumer pays in higher prices to sustain the total cost while the worker suffers the indignity of unemployment.

The Central Bank is an unsatisfactory medium through which to achieve such control, as it cannot discriminate well enough between long- and short-term objectives, or their relative merits. Perhaps we can introduce clearer differential rates of Central Bank discount for different categories of borrowings by Chartered Banks, under provision for strict end-use accounting for the moneys thus obtained.

Even then there will be loopholes: an industrial borrower discouraged by a chartered bank from obtaining funds for expansion is free to walk down the street to an investment broker willing to underwrite his bond-issue. It would be better to require regular five-year forecasts to be submitted by all primary and secondary industry, to permit an overall check on planned productive capacity versus the market's capacity to absorb the output.

What, one may well ask, of our immediate problems: our deficit on current account, and the displacement of domestic production by low-price imports? I believe that the last of these can be cured as justly and quickly as we tackle the long overdue question of the prevailing foreign exchange rates in the western world as a whole, in view of the fact that the purchasing power of the various currencies is now seriously out of line with the official rates as protected by the International Monetary Fund.

This has been true for at least the past three years, and has given rise to current misconceptions that we are pricing ourselves out of overseas markets. The indicated need for an initial devaluation of the external value of the Canadian dollar by some 25 per cent should be studied and acted upon without delay. We need not worry too much about unscrupulous manufacturers increasing domestic prices in the wake of such devaluation, as we can easily lower tariff protection in retaliation.

We can restore our competitiveness overnight by devaluation, we can put people to work the morning following this action, as the whole distorted price relationship between ourselves and



National planning has been rejected by both Walter Gordon, Donald Fleming.



## British Canada's First Unofficial Coin...



After Canada was ceded to Great Britain in 1763, little effort

was made to supply North American currency. In 1815, Sir Isaac Coffin, holder from Great Britain of the freehold of the Magdalen Islands, issued his own copper pennies—the first unofficial coins circulated in British Canada.

### Canada's First Real Money

Canada's first real money, in the form of bank notes, was issued by the Bank of Montreal—Canada's first bank—when it opened its doors for business on November 3, 1817. Later, the bank provided copper coinage. With the passing of the Currency Act in 1841, B of M coins became recognized legal tender of Canada.



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*Canada's First Bank*

SD274

Europe, the U.S. and other countries like Japan, will have been adjusted.

There is no earthly reason for this folly to be perpetuated. In trying to lower internal costs, in the face of severe unemployment and considerable idleness of productive capacity, we are simply trying to squeeze blood from stone.

On the matter of our current account deficit: over the years since 1953 (to take an arbitrary starting point), we have had to pay more for imported merchandise than we received in return for our exports. This deficit has been offset by foreign investment, mainly from the U.S.

Once money is invested and starts to earn profits or dividends, these rewards return, like homing-pigeons, to the foreign investor. This overflow of funds has now increased to a point of peril, and accounts for about half our total deficit on non-merchandise transactions in the 1960 balance of international payments on current account.

If we were to put pressure of Federal Law on foreign investors to leave these rewards in Canada, this would amount to forcing a passive or involuntary re-investment by foreign shareholders. This extra capital would thus strengthen their control position, unless we can pass legislation which requires such additional funds to be invested in bonds, guaranteed by the Canadian Government, which do not result in increased control.

This measure could cut the overflow of funds by some 90 per cent, while at the same time it would almost double the amount of earnings available for re-investment. We can learn much from Mexico's legislation.

Over the long haul, Canada will have to buy up shares, to gain and maintain at least a 51 per cent Canadian voting control, in industries where the need for re-establishment of our national control is indicated. This could be under-taken by a National Investment Board, backed by the savings of the Canadian people in the form of bonds issued under Government guarantee, preferably in small denominations, under the slogan "Buy Canada Back".

Some will argue that Canadians are free to do so now, on their own. Have we forgotten what happened to the proud owners of Ford of Canada shares? Surely, the best way to approach this is through a public agency, which, in co-operation with Canadian investment dealers, can carefully determine where to regain control, how much of it, and when, i.e. under equitable conditions of price. This approach would be the nation's best guarantee against the confusion of

unco-ordinated individual action.

Some will turn pale and say that measures proposed here will surely dry up all inflow of U.S. capital. Here also, we need to reflect more deeply, for Canada can and, indeed, should expect little in the way of future foreign investment funds, if the pressure from the have-not areas keeps up.

American economists have now calculated the needs of these areas to be in the order of \$20-30 billion per year, augmented by another \$20-30 billion a year, in the form of commodity transfers. This total of up to \$30 billion per annum in funds alone compares to some \$6 billion per annum in U.S. aid funds today, which is already straining the U.S. balance of payments. Moreover, of this annual \$6 billion, much was wasted on military aid, such as in Laos.



Coyne: Under fire from economists.

Obviously, this makes a monkey of the current domestic wrangle over whether interest rates are too high; the chances are that these rates will stay high, and may even rise, as long as the demand thus outstrips the supply in a relatively open international capital and money market such as we have today.

Canada's economic problems are capable of analysis and solution only, when seen in their international economic context. The harsh fact is, that a policy of national sacrifice is long overdue. The debate about the "Affluent Society" has little validity for Canada, or for any western country.

What is needed now is sacrifice, collective western sacrifice *vis-à-vis* the disinherited of this world. For unless their needs are met, they will turn against those who refuse to be their brothers' keepers. They will have no choice but to accept the genuine offers of help which the socialist east holds



out to them, such as 25-year loans at 2½ % interest, plus technicians, no strings attached.

The risk for the West lies in the probability, indicated by facts of recent years, that trading patterns will form around such aid relationships, and that such shifts in trading patterns will, in the long run, contribute to our economic strangulation. We must obviously avoid economic growth at the expense of the world's poorest.

Then there is the deficit on Federal Budget. Here, we should worry a great deal more about the fact that we spend almost 30 per cent of the total federal budget on defence, which, apart from providing precious little defence, does not generate much wealth in turn. As long as we allow so much money to be spent on what must be regarded as unproductive end-uses, we shall have to live with higher taxation or deficit financing for expenditures on worthwhile purposes. The latter method produces the sort of chicken that invariably comes home to roost.

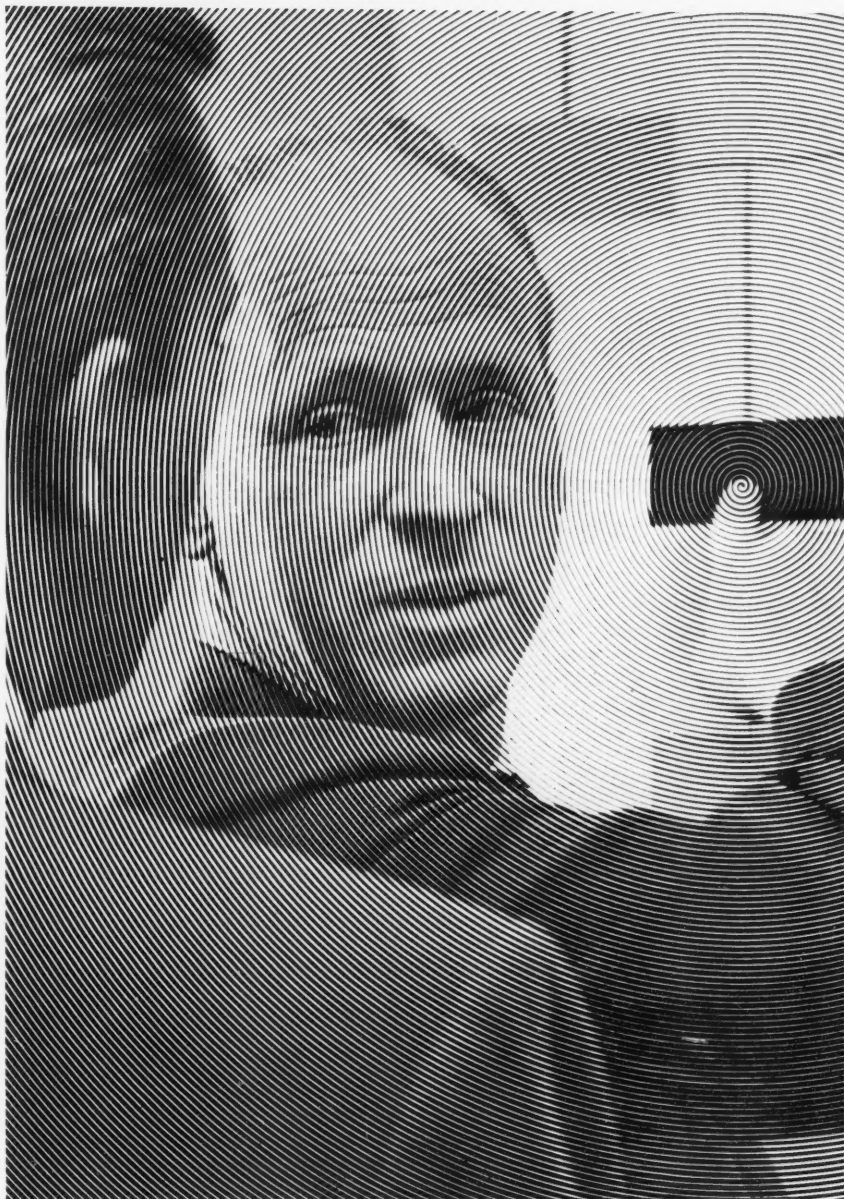
Deficit financing also raises a serious question of ethics and responsibility: are we justified in thus mortgaging our children's future, and thereby having them pay for our debts? Deficit financing, unless accompanied by price controls, is an inhuman approach, in that it lifts up some at the price of hurting those who cannot fight back: the pensioners, those who live on fixed incomes, comprising some 13% of the population. This brings us to the philosophical basis of growth economics.

The economics of growth, in a Christian society, must be based on man's basic mandate: "Thou shalt be thy brother's keeper". The role of society's organization, the Government, is to so organize the possibilities within society that *no one* is prevented from providing for himself or those who depend on him.

Where this is denied, society breaks down, and is supplanted by an everlasting struggle about the means and the ends, between those who hope for a better lot, and those who fear to lose what they jealously guard. Life becomes bitter, and economics reverts to the status of "the dismal science".

In planning growth, a Government must therefore exercise charity in adjudicating between those who hope and those who fear; it must teach to those who hope that they stand to lose all by destroying those who fear, and to the latter, that they stand to gain all by helping to lift those who hope.

No doubt faster material progress could be made by destroying those who fear. But the price is the spiritual rape of Society, the ultimate act of violence that destroys man's reverence for life.



*Here an owner of a small factory reviews an expansion chart with a Trust Company officer.*

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Cut Taxes and Borrow:

## A Long-Term Remedy for Unemployment

by Kenneth Gauldie

AS THE EXPEDIENCY of the moment seems to be the guiding "principle" of Government in economic matters it is naturally not unusual that the consequences of their actions should often be contrary to their purposes. A main object of the Federal Budget and of the Baby Budget of last December is, and was, to reduce unemployment; but although some of the measures proposed could have a temporarily stimulating effect on industry they are logically so inconsistent with the end in view that their probable effect, in the longer run, would be to increase unemployment and to delay recovery from it.

Great faith is laid by the Government (in which it is joined by the parties in Opposition) on investment in private business and on increased production as remedy for unemployment; and the practical proposals of the Government with that end in view are, to large extent, based on that faith.

It is, of course, true that any governmental measures that might be effective in increasing the amount of investment in private enterprise would have a temporarily beneficial effect on industry. But one reaps what one sows; and more investment is a wrong kind of medicine to offer in cure of a condition which itself is a consequence of previous over-investment.

Before entering into discussion of unemployment it will be well to make sure that we know what we are talking about.

The word "capital" will frequently be used in this article. It is not employed in any monetary sense. As here used it means "real capital", that is, goods, equipment, or any other man-made, or man-accumulated property in business ownership, public or private.

When speaking of "unemployment" the unemployment of people is usually implied. In general, however, the unemployment and under-employment of people is associated with, and is a consequence of, the unemployment and under-employment of capital. It is when merchandise accumulates unsold in

shops, warehouses, stockpiles and granaries, when orders are hard to get and profits decline, when factories operate on short time or are closed altogether, when farmers let land lie fallow, when mines cease to produce and empty ships lie unmanned at anchor that people become unemployed and wageless. And when epidemic unemployment gains a foothold anything may happen.

The reason why people are unemployed and underemployed is, then, that there is more capital in the form of goods and merchandise of all kinds than can be sold at a profit, and more capital in the form of means of production than can be maintained in profitable employment.

That is, the cause of unemployment is *over-capitalisation* of which the immediate cause was previous *over-investment*. And it need hardly be said that to endeavor, by stimulating investment in private business and so to increase the capital of industry at a time when it is suffering from an excess of it, is to court disaster at later date.

Before accepting over-investment as the root cause of trade-cycle depression and unemployment, the question must be asked why economists and financial people have laid so much faith on investment as means to achieve prosperity and reduce unemployment.

The reason is, presumably, that as a matter of experience, prosperity in ordinary peace time has been greatest and unemployment least when investment was most active and production at highest level. *Post hoc* argument would naturally suggest that, in time of bad trade, greater rate of investment and increased production would elevate prosperity and reduce unemployment.

And so they would — provided that in time of trade depression society could be induced to invest in new enterprise as freely as in prosperous times, or that at a time when industry was suffering from over-production its owners and managers had the financial means to go on increasing their existing stocks of unsaleable goods and could

be induced to employ those means for that purpose.

Where the adherents to the faith in investment have been misled is in forgetting that what is good for industry when emerging from a trough of depression towards a peak of prosperity can be poison to it when the peak is past and industry is on the downgrade back to the next trough.

What is necessary, in time of over-production and unemployment, to remedy the condition is consumption at greater rate than production.

Fire, storm and flood, rust, rat and moth, war, industrial strife and revolution are effective agents to that end. But the rational solution of the problems of overproduction, unemployment, poverty and political unrest is through increase in the rate at which society buys finished goods out of business into its personal and public ownership.

A fact that is too little appreciated and too seldom acted on by governments is that the *sole function* of industry is to produce and sell the food, fuel, clothing, shelter, literature, trinkets, toys, amusements that people buy for their personal use and enjoyment, and the roads, sewers, schools, armed forces, armaments, and other civil and military works and services that, through their governments, they buy for their collective needs.

The mines, quarries, blast furnaces, rolling mills, ships, railways, factories, shops, warehouses, banks, office buildings, ploughed fields, growing crops, flocks and herds, farmers, schoolmasters, journalists, engineers, lawyers, architects, chartered accountants and members of Parliament are mere means to the end that the things the people want for their personal and public uses — the *ultimate* products of their industry — may be produced and sold to them.

The activity of industry at a given moment may depend to a large extent on the rate at which new factories are being built and equipped, new mines being sunk, new land being cleared and taken into cultivation; but it is on the



rate at which society in its role as consumer buys these *ultimate* goods that the stability and prosperity of industry and of nations depend.

In the production of these ultimate goods and services and of the means used and consumed in their production as they pass through the general stockpile of industry from the mine, field, forest and sea to the counter of the retailer the income of society is earned. Over these retailers' counters and desks the greater part of the income of society is spent; and the remainder is saved and, through various financial channels, is invested and transformed into more capital in the shape of "tools" to produce more of these *ultimate* goods and services and more materials to feed the "tools".

The *purpose* of a completely socialised industry would presumably be in agreement with its *function* and would be to produce the maximum volume of ultimate goods and services for distribution among society for all its personal and public uses and consumption. Its organisers would not wittingly produce more "tools" than needed; because such *unnecessary* investment of income would be over-capitalisation, mere waste of existing capital and labor, and would reduce the volume of ultimate goods and services available for distribution.

The purpose of privately-owned industry is, however, to earn profit for its individual owners and managers. It is competitive and collectively unorganised. It has no central authority, competent or incompetent, to tell its units how much of their profits they may invest in expansion, or how much of the other savings of society they may borrow for that purpose.

In the efforts of each unit to increase its share of the total business it is natural and inevitable that in prosperous times when conditions are favorable, too great a proportion of the national income should be invested in business expansion and too little left to buy the greater product at prices high enough to be profitable to the more marginal producers.

At such stage of events one more peak of prosperity and high employment has been passed and, failing effective governmental action or special circumstance such as a great war elsewhere, industry has started on the downward path of declining prosperity, falling profits and mounting unemployment to the next trough of depression in the recurrent trade cycle oscillations which have constituted the history of industry up to the present day.

Completely socialised industry has no such problem. It is immune from epidemic unemployment; and any serious amount of unemployment at any

time would merely be evidence of faulty organisation.

The problem that faces private capitalism, now, is not then merely waning profits and increasing unemployment, poverty and want; its own survival is in the balance.

Should a fairy (or the Minister of Finance) give to every unemployed and under-employed person his full pay envelope and to every shareholder his full dividend, demand for the ultimate goods and services that people buy for their personal use and pleasure would immediately soar; and it would not be long before there would be no unemployment, and dividends would be as high as before. There would then be no out-of-work and passed-dividend payments to be made and the Treasury would overflow with receipts from taxation of a prosperous nation.

The State has unlimited borrowing power; and this example will serve to show that a condition of unemployment is capable of almost immediate remedy.

There is no real difficulty, then, in establishing a condition of full employment. The difficulty is, having attained it, how to maintain it. Having attained it, how is prosperous industry to be prevented from again indulging in competitive over-capitalisation and getting again into the mess from which it had been raised?

When the world became involved in the second Great War (which was a consequence of the Great Depression of the thirties, then still persisting) the capital and labor unemployed at that time were given employment in military service and in the production of military supplies; and the almost immediate consequence of involvement in a great war was that the problem of unemployment ceased to exist and continued to be non-existent for the duration of the war.

Throughout that time industry continued to operate at the highest pitch of activity, profits were higher than ever before and, away from the active theatres of war, prosperity — as far as the vast majority of society was concerned — was at level higher than had ever previously been approached.

And yet there was no general over-capitalisation of industry, for the simple reason that the State took, by taxation and borrowing, so great a proportion of the total income of society to pay the costs of war that collective business was deprived of the means to invest in *unnecessary* enterprise.

During the war, then, the income of society was so fully spent on the prices paid for the things the people bought for their personal use and enjoyment and for the things that, through their

governments, they bought for their public needs and for the *necessary* "tools" acquired by industry for the production of these things that no surplus was left for investment in *unnecessary* "tools".

The lesson of the war is clear. It points to the fact that if, in addition to what they buy for their personal uses, the people buy, to sufficient extent, through their Governments, the things they need and want for their public purposes over-production (in the sense of goods accumulating unsold in industrial ownership) and over-capitalisation cannot occur and that labor and capital will be maintained in full and profitable employment.

That is, there can be no more than sporadic unemployment if expenditure by governments on enterprise, useful, useless, or as destructive and wasteful as war, is maintained at sufficiently high level to prevent over-capitalisation.

The converse is equally true. If Government expenditure is not at level high enough to prevent over-capitalisation epidemic unemployment will gain entry; and should it get out of control anything may happen such as the Great Depression of the thirties and the Great War that was its consequence.

There are, of course, difficulties in applying these lessons. One of them is that in time of declining prosperity and falling profits, increased public expenditure cannot be financed out of decreased revenue; and resort must be had to borrowing. There is a well-justified prejudice against government borrowing in prosperous times to pay for public enterprises that should be financed by taxation.

The prejudice is not justified, however, when unemployment or other great emergency is the problem — provided, of course, that the borrowing is from the people and does not involve permanent increase in public indebtedness to the banking system. The debt that society as an organisation owes to itself as a total of independent individuals is merely money transferred from one pocket to the other, and is no burden on it as a nation, no matter how large. And the interest on the debt — no matter how low or how high — is paid into the same collective pockets whence, as taxation, it was taken to make payment.

A real difficulty is that Governments may fear to face the criticism of "deficit financing" which would be justified in prosperous times but not in times when unemployment has become a serious problem.

A much more serious difficulty is to find "useful" outlet for great public spending. For one thing, great enterprises require long plannings, are long

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in developing and are of relatively little help to meet an existing condition of unemployment.

It is quite true, of course, that "useless" public enterprise such as digging holes in the ground and filling them up again would be just as effective as war or armaments race in absorbing unemployment and that a far higher degree of real prosperity is attainable by that method than was reached in North America during the war.

That solution of the problem has, however, no appeal to patriotism and national prejudice; and no Government could long survive a proposal so obviously irrational.

The last great war was terribly destructive of property; cities reduced to heaps of rubble, the accumulated wealth and capital of generations brought down to scrap iron and matchwood, smoke and cinders, dust and ashes.

The magnitude of the present problem of finding sufficient outlet for public spending to attain and maintain full employment may be judged from the fact that, since the war, the ruined cities have been rebuilt, their capital has been re-accumulated and expanded, other wars have been fought, the great nations of the world have indulged in a continuous orgy of competitive armament and yet, in spite of all this expense, so much new wealth has accumulated in business ownership that over-capitalisation (of which the automotive industry of the world is an example) has occurred and epidemic unemployment has gained a foothold.

There is little present outlet for industry in repair of the damage of past war; and the whole world knows that if its suicide is to be avoided the present armaments race must end.

And what then will fill the vacuum when an already over-capitalised industry is deprived of its armaments market? Must sputniks light up the sky at night and darken it by day?

The condition that must be maintained to prevent unemployment in an economy based on the private ownership of capital is that the total expenditure of society on the things that it buys for its personal and public uses (including the necessary "tools") must be sufficiently high to provide profitable employment to all available capital and labor.

If, then, a condition of unemployment should arise that might not be remediable by expenditure on "useful" public enterprise there always remains the natural remedy that a socialised economy would employ; that society should spend more on the things it buys for its personal uses.

Elevation of the general living standards of society is, of course, the

rational solution of the unemployment problem; and the only difficulty in an economy based on the private ownership of capital is how to administer the remedy.

The standards of living of a nation cannot be elevated by any general, proportionate rise in wage, salary and fee rates. Such increase would be followed by corresponding increase in production costs, prices and the cost of living; and the purchasing power of society would remain more-or-less unaltered.

It follows that, as the purchasing power of society cannot be increased by elevation of wage rates, it can be raised only by addition to personal earnings of income from some other source. But the only other source is the income that property earns for its owners.

The general solution of the unemployment problem involves, therefore, the principle of profit sharing; and if it is to be rational and equitable the share (or bonus) of the employee in a marginal business must be the same as that of a like employee in a highly profitable concern; that is, it must be proportioned to earnings; and it cannot be left to the discretion of the individual employer whether or to what extent he will contribute.

It follows, therefore, that the State must be responsible for the collection of a proportion of the national income high enough to deprive industry of the ability to strangle itself by over-investment and over-capitalisation, and must be responsible for its distribution. That is, as far at least as collection is concerned, the problem is one of taxation.

The reminder is, perhaps, necessary that in order to maintain prosperity it is first necessary to attain it. Quite obviously the lavish public spending necessary to attain prosperity cannot be financed by taxation during time of depression and declining income, but must be made possible by borrowing to sufficient extent from the people. That, of course, necessitates a rate of interest high enough to induce people to save and lend their savings to the State.

As has already been pointed out, a high rate of interest on national debt is no burden on society and is indeed (or would be) a source of gratification to owners of Government bonds. And a high interest rate is (or should be) Nature's safeguard against over-capitalisation and unemployment. And it would be so if Governments and banking laws and procedure did not interfere, and if managements did not, by retaining distributable profits, have and exercise the power to borrow, interest-free, from their shareholders.

If managements had to compete in the open market for funds to spend on expansion, interest rates would, of



course, be higher, less would be spent on competitive over-expansion, profits would be more fully distributed, dividends would be higher, less would be wasted on premature obsolescence of equipment, unemployment and under-employment of labor and capital would be less difficult to keep under control and industry would be more stable and more profitable.

The reminder may also be useful that any artificially and unnaturally low interest rate (as in '55 and '56 after the present Bank Act came into force) is a fruitful cause of business over-expansion when the conditions are favorable for it, and of the trade depression and unemployment that succeeds the boom.

The State has, of course, the right to appropriate any proportion of the national income necessary to achieve its useful purposes; and assuming that by sufficient public expenditure prosperity has been attained, the State may legislate for a distributable surplus of any size necessary to maintain prosperity. The question that then arises is how should that surplus be distributed.

This is a practical problem to which there may be many possible answers. The State might distribute the surplus to the people in some manner more-or-less inversely proportional to the income of the individual; and as such method would be a permanent solution of the problem it will no doubt be adopted in the future.

Another method, probably better adapted to existing conditions, is indirect. It consists, in effect, in legislating for the necessary surplus and then cancelling it by reduction of taxation affecting the purchasing power of personal income, especially in its lower brackets. That is, it would operate by reducing the cost of living.

The present problem is, however, to cope with an existing emergency which demands immediate action to remove the cause of unemployment — the existence of an oversupply of finished goods in business ownership. What is needed *now* is more purchasing power in the pockets of people who will immediately use it in satisfaction of their personal wants.

Should the State increase its payments to the old, the blind, the crippled, the sick, the needy, the workless and wageless the beneficial effect on industry would be immediate. For that additional purchasing power would be spent on the prices paid for goods from the drug store at the corner and the grocer and baker down the street; and from there it would be passed on to the wholesalers for stock replenishment and so on down the industrial assembly line to the primary producer.

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anything is the total of its production costs, including profits, up to the conclusion of the sale. In these costs, purchase and sales taxes, customs duties and excise taxes, business and property taxes, are more-or-less directly included.

Directly, or indirectly, such taxes elevate the prices of the things on which wages are spent, increase the cost of living; and there is compensating increase in wage rates. And so again production costs are increased and again the consumer pays.

What concerns the workman is his "take-home" pay, what is left of his nominal wages after income tax and other deductions have been made. What he . . . nominally . . . pays in income tax is merely the compensating increase in wages that enables him to pay the taxes without reduction of the standard on which he lives. The taxes are unreal. Nevertheless it is his nominal wages, including taxes, that determine production costs and retail prices; and once again the consumer pays.

Practically without exception any tax, direct or indirect, levied on capital (as distinct from the income capital earns for its owners), or on labor, that is, any tax levied at production level is a production cost and is passed on for the consumer to pay.

It is, however, fortunate that at this critical time when the world is threatened with destruction if it does not disarm and with a fate nearly as bad if it does, that there should be so great a volume of taxes that enter into the structure of cost and price; for by the repeal of any one of these, production costs would be reduced, prices would follow and the purchasing power of a given income would rise.

The rate at which industry would benefit by tax reduction would naturally depend on how nearly the pocket of the consumer was affected. The removal or reduction of a tax on houses owned by their tenants or on ultimate goods such as food, drink, tobacco, clothing, jewellery, amusements, travel, would be immediately effective because, not only would demand for the goods affected be increased but the purchasing power available for other things would be greater, and effective demand for these would also increase.

The removal of a tax affecting an earlier stage of production would, of course, operate more slowly; and considerable time would probably elapse before the reduction of sales tax affecting constructional steel or contractors' equipment could sensibly affect the prices of groceries, or cosmetics. The taxes to be repealed or reduced would, therefore, depend on whether

quick results were called for to attain prosperity or slow and steady effect to maintain it were the purpose.

Whether tax reduction would involve long-term rise or fall in the general levels of prices and wages is impossible to predict; for these levels are dependent on the unpredictable monetary policies of governments and central banks. They will, however, rise and fall together; and the essential fact is that whatever the level's may be, any reduction in taxation affecting production costs will reduce the existing level of prices and increase demand for the ultimate products of industry.

Canada . . . be it said to her renown . . . is one of the few countries that have maintained the independence of their currencies. Her dollar is not pegged to the money of any other nation; and its purchasing power, at home and abroad, is not bound to decline because of inflation occurring outside her borders.

It is to be hoped, then, if this country should rid herself of her existing overburden of inflationary taxes, that her people and their Government will not put difficulties in her way by endeavoring to maintain the purchasing power of the Canadian dollar equal to that of its depreciating American namesake. The Canadian dollar is no more related to the U.S. dollar than John Smith of Kingston, Ontario, is related to black John Smith of Kingston, Jamaica, a fact of which the present Government (and Opposition) seem sometimes to be unaware.

How long it would be before all taxes on capital and labor had been repealed and replaced by direct income taxation and before it would become necessary to adopt a permanent solution of the problem of maintaining full employment can only be guessed. There is, however, good historical evidence that the temporary solution would be effective for many years and probably for decades.

The Corn Laws (which imposed taxes on imported grain and were a source of great profit to the landlords of early Victorian England) together with the taxes on a long list of imported goods were repealed by Peel and were replaced by Income Tax. Not only did the landlords lose the benefit of protective taxes on imported grain, they were subjected to the new Income Tax as well; and naturally the change in taxation method was made against their bitter opposition.

Nevertheless, and in Sir George Trevelyan's words, "even the 'agricultural interest' of landlords and large farmers soon found that they had not been ruined." As result of the lower costs of living and the better times that followed the repeal of the Corn Laws

and the introduction of Free Trade "there was greatly increased consumption of bread. The country-houses and farmsteads of England were never more wealthy, populous and happy than during the mid-Victorian age", that prosperous age that followed the repeal of taxes on food and their replacement by direct Income Tax.

That prosperous age did not last indefinitely. In spite of vast opportunity for investment in colonies and elsewhere abroad over-capitalisation took place and the trade cycle came again into operation. Nevertheless, it lasted for decades.

It may be that there are better methods than reduction and elimination of inflationary taxation to attain full employment and maintain it over many years. One thing, however, is certain. Full employment in useful, peaceful pursuits cannot be maintained permanently, or over any long period except by methods involving appropriation of a proportion of the income earned by property, sufficient to prevent over-capitalisation, and the spending of it by society on its personal wants and needs and for society by its governments for its public purposes.

A great deal of unjustifiable blame has been laid on automation for the present condition of unemployment and underemployment on this continent. There is nothing new in automation (except the word) which is merely the name given to some modern methods of doing by machine what formerly was done by brain and hand.

As with improvements in productive processes in general, it involves some displacement of labor. In the long run, however, it provides greater employment; and it is, of course, as a result of the "automation" of the Industrial Revolution and afterwards that most of us now live — and are employed — in the world today.

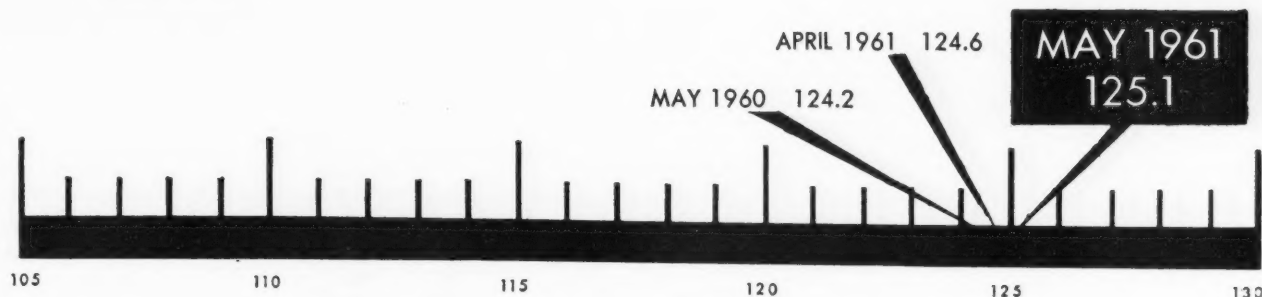
Displacement of labor by machine requires purchase of the machine and involves the use for that purpose of retained profits or of borrowed savings from other incomes.

Automation does not, then, differ in principle from any of the other processes involved in the growth of capital. It is not a responsible cause of unemployment although excess of it may, of course, be a link in the sequence of cause and effect, of which epidemic unemployment is the consequence. The responsible cause is always over-capitalisation, the use by industry for purposes of capital expansion of too great a proportion of the harvest it has reaped, and distribution to its shareholders and employees for their personal and public spending of too small a proportion of that harvest.



# SN

## Business Index for May



Indicator Table	Unit	Latest Month	Previous Month	Year Ago
Index of Industrial Production (Seasonally Adjusted)	1949 = 100	165.8	165.5	169.6
Index of Manufacturing Production (Seasonally Adjusted)	1949 = 100	147.0	146.4	152.6
Retail Trade	\$ millions	1,563	1,556	1,527
Total Labor Income (Seasonally Adjusted)	\$ millions	1,105	1,162	1,128
Consumer Price Index	1949 = 100	129.1	129.1	127.5
Wholesale Price Index of Industrial Raw Material	1935-39 = 100	242.2	240.1	241.7
Manufacturer's Inventories, Held and Owned	\$ millions	4,508	4,472	4,548
New Orders in Manufacturing	\$ millions	1,734	1,832	1,850
Steel Ingot Production	'000 tons	557	470	586
Cheques Cashied, 52 Centres	\$ millions	21,489	23,725	22,046
Housing starts in municipalities 5,000 and over.—Seasonally adjusted at annual rates	'000	110.2	119.2	69.0
Hours Worked in Manufacturing seasonally adjusted	per week	40.2	40.7	40.6
Index of Common Stock Prices	1936-39 = 100	304.8	294.6	248.8
Imports	\$ millions	396	433	453
Exports	\$ millions	372	457	430

Most latest figures are preliminary ones.

THE SN INDICATOR now shows the slight edge being gained by our economy. There is still no dynamic drive upward and none should be looked for in the immediate future. However, there is some momentum being gained in various areas. This is true, too, in the United States. This is a good sign because of the strong interplay between our two economies.

The steel rate shown here would lead one to believe that steel production is still down. This is the case when comparing the first months of this year with the very bright first months of 1960. However, there was a fairly sharp decline after that optimistic period a year ago. Though we are not yet back to that high level, we have had a significant increase in steel production during the last few months.

One of the best gains is in housing construction, and this bodes well for the future. The new indicator being used here is on dwelling unit starts in municipalities of 5,000 or more people. These figures are available much faster than total dwelling house unit starts for all Canada. Actually about 70 percent of total dwelling unit

starts take place in municipalities of 5,000 or over. This should be remembered when looking at the figures presented here. The 70 per cent figure is rough and does not apply regularly each month. The figures given are seasonally adjusted at the annual rate, and show the total for the current month as 110,200 houses. This would mean that all across the country we are building houses at the rate of about 157,000 starts per year, which is a pretty good rate.

On the import-export side we have dropped in both areas giving us a pretty similar balance for the first two months of this year as compared with the sister months of 1960. Actually this year we had a small export balance whereas last year we had a small import balance. Our exports for the first two months dropped 2.7 per cent compared with a year ago and the same drop was recorded by our imports.

A big drop in our exports was for sales to the United States. The dollar total for the two months was down 15 per cent while our imports from the States dropped

by less than half that percentage. The increasing brightness of the American economy could mean a change taking place in the situation before too long. We should also soon see the effect of our recent grain sales to China showing up in our import-export figures.

On the industrial production side we are still at a low level although we seem to have arrested the downward trend. There is still danger in the durable manufacturing sector. In January of this year we fell to the lowest point since October of 1958. However, the January figure was lower than most monthly figures in 1958 as well as all the months of 1957 except December and in all of 1956.

We have since come upward from the January low but the extent of the durable manufacturing problem is shown starkly by the indicators. We have a long way to go before we surpass the high points of the past few years. This is not true in non-durables where we are now ahead of all previous years except for parts of 1960.

—by Maurice Hecht

(Saturday Night's Business Index is a compilation of statistical factors bearing, generally, on Canada's gross national product. It is designed to reflect pace of economic activity. The base 100 is drawn from 1955 data).

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**ALUMINIUM LIMITED  
DIVIDEND NOTICE**

On April 28, 1961, a quarterly dividend of 15 cents per share in U.S. currency was declared on the no par value shares of this Company, payable June 5, 1961 to shareholders of record at the close of business May 8, 1961.



**JAMES A. DULLEA**  
Secretary

*Montreal*  
April 28, 1961

**NORANDA MINES, LIMITED  
DIVIDEND NOTICE**

NOTICE is hereby given that an interim dividend of Fifty Cents (50c) per share, Canadian funds, has been declared by the Directors of NORANDA MINES, LIMITED, payable June 15th, 1961 to Shareholders of record May 15th, 1961.

By Order of the Board.

**C. H. WINDELER,**  
Secretary

Toronto, Ontario  
April 28th, 1961.

**Gold & Dross**

**Hudson Bay M & S**

*Have been reading your column for several years and found it helpful. Would you mind evaluating Hudson Bay Mining & Smelting? — B. D., Hamilton.*

Hudson Bay is a business man's speculation, presenting a combination of calculated risk and a hope for an increase in value, concurrently affording an attractive yield.

The company has outstanding 2.75 million shares of capital, or common stock, and has working capital of \$38.6 million. It earned \$3.75 a share in 1960 and pays dividends of 75 cents quarterly, reflecting a policy of distributing as high a proportion of earnings as possible. We have in the past commented upon the niggardliness of some Canadian companies with dividend payments, but Hudson Bay is not one of them.

The 1960 earnings were the result of mining, milling and making metal from 1.7 million tons of ore of which 74% came from the original Flin Flon mine, which had in 1959 accounted for 86.7% of the concentrator feed. The percentage will be still smaller this year on account of other new mines reaching production.

Ore reserves in 1960 declined by 1.6 million tons, the amount of tonnage milled. Little ore-development work was done at the company's new mines during what was their original production year. Reserves now stand at 15.8 million tons, of which about two-thirds is in the Flin Flon mines, mostly at the original property.

Company revenue from metal production last year amounted to \$40 million, accounted for by 134 million lbs. of zinc, 80 million lbs. of copper and 1.5 million ozs. of silver.

From the foregoing it can be concluded that:

—Existing ore reserves will enable impressive earnings at current metal prices for several years.

—Cash resources permit generous dividends.

Additionally, there is the hope of an improvement in prices, especially copper, and the chance of establishing further ore reserves cannot be mini-

mized. The company has for several years aggressively sought outside replacements for dwindling reserves at Flin Flon, and the search has not been unsuccessful. It could be a forerunner of other exploration ventures, while something has to be allowed for the chance of more ore ultimately being found at Flin Flon.

All this adds up to an interesting picture, especially in a period when equity values generally have tended to soar because of an increasing scarcity of good common stocks, the anticipation of an improved U.S. business picture, and the possibility of a continuance of inflationary trends. In the event of the latter, ore in the ground should increase in value as the purchasing power of the dollar declines.

The stock provides a good yield, and this would encourage retention in a declining market.

**Inter-City Gas**

*Please say whether Inter-City Gas stock is good—P. G., Calgary.*

Inter-City Gas is not uninteresting as a low-priced speculation in a natural gas utility. The company distributes natural gas in eight smaller centers in Manitoba. The year 1960 was its third year of operation, and resulted in a 22% increase in customers over 1959, and in 59% of the buildings facing on the gas mains being served at the end of the period.

Total revenue for 1960 was up 49% over 1959, sales to three Department of National Defence establishments accounting for \$327,458 of the \$937,129 revenue earned during the year. Total customers capable of being served, that is buildings facing on the gas mains, increased by 4½% over 1959.

Net profit for 1960 was \$125,280, equal to 52 cents a share versus 33 cents in 1959 and a loss in 1958. About 10% more customers are expected to be added in 1961. The company is, however, prepared for a year's lull in the upward trend of profits. On January 10, 1961, the 36-month development rate charged by Trans-Canada Pipe Lines expired. The increase in gas rates, plus lower rates effected last fall in Portage La Prairie, is expected





## THE ROYAL BANK OF CANADA

### Dividend No. 295

Notice is hereby given that a dividend at the rate of **fifty-five cents (55¢) per share** upon the paid-up capital stock of this bank has been declared for the current quarter and will be payable at the bank and its branches on and after Thursday, the 1st day of June, 1961, to shareholders of record at the close of business on the 29th day of April, 1961.

By order of the Board.

C. B. NEAPOLE,  
General Manager.

Montreal, Que.,  
April 18, 1961.



## THE SHAWINIGAN WATER AND POWER COMPANY

A dividend of fifty cents (50¢) per share on the Series "A" 4% Cumulative Redeemable Preferred Shares and a dividend of fifty-six and one quarter cents (56¼¢) on the Series "B" 4½% Cumulative Redeemable Preferred Shares of the Company have been declared for the quarter ending June 30, 1961, payable July 2, 1961, to shareholders of record June 2, 1961.

R. R. Merifield  
Secretary

Montreal, April 24th, 1961



### Dividend Notice

NOTICE is hereby given that a Dividend of twenty cents (20¢) per share on the outstanding Common Shares of Simpson's, Limited has been declared payable June 15, 1961 to shareholders of record at the close of business on May 15, 1961.

By order of the Board.

K. W. Kernaghan,  
Secretary

Toronto, April 26, 1961

to cause an estimated \$136,000 decrease in gross earnings for 1961, which will be partially offset by increased sales expected.

Gross earnings in 1960 were \$246,492, from which was deducted \$86,286, including \$76,690 interest on funded debt, while income tax absorbed \$34,925.

## The Gambling Spirit

*Why do the majority of queries you publish concern mining rather than industrial shares?—G. B., Ottawa.*

Letters reaching us run heavily to mines, and the reasons aren't hard to find. Most people like to gamble, and cat-and-dog mining stocks listed on the Canadian exchanges can provide action second to none. Field news occasionally sparks mining booms and sends the public scurrying into the boardrooms in the hope of getting on to a good thing.

Canada's metallic-mineral production runs into hundreds of millions of dollars and employs tens of thousands. The industry accounts for upwards of 20% of corporate dividends. Mining and metal stocks in the past 15 years have generated huge commissions for brokers. Occasional rags-to-riches stories like Quemont and Gunnar act as a magnet for speculators.

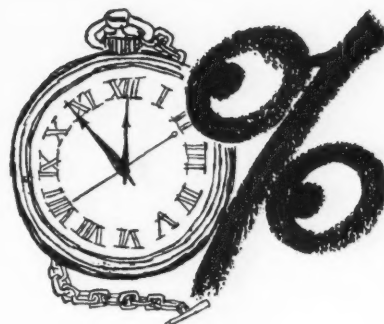
The public thronging around the brokers' gaming rooms is there for no other reason than to bet, and in any dice game losses are inevitable. Many gamblers write us only after they have picked a loser, hoping against hope that we can offer some encouragement of getting their money back. On the other hand, readers who have stayed in progressive industrial companies discussed in these columns have seldom lost. Often, they can boast substantial gains.

## NONG Dividends

*What are the possibilities of Northern Ontario Natural Gas (a) paying a dividend, (b) issuing rights to shareholders, and (c) selling at a higher price? — A. R., Vancouver.*

Directors of Northern Ontario Natural Gas recently decided against any dividend payment for the time being but will review the situation again next spring.

Net profit for 1960 was \$873,720 or 58 cents a share. Officials look for a substantial increase in earnings based upon an expected gain of 10,000 new customers this year, about the same rate of gain as in 1960, when less than half the capacity of its facilities was



## Is it time to review your investments?

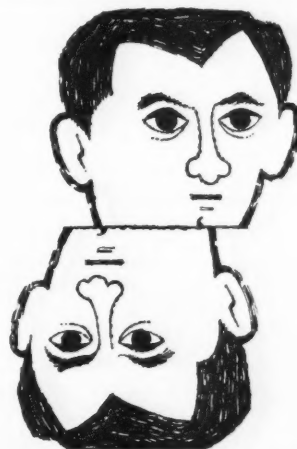
A periodical review of your holdings enables you to determine your current investment position and, in some cases, indicates changes that will strengthen your portfolio.

We suggest that once a year you mail a list of your holdings to us so that we may prepare a detailed analysis for you.

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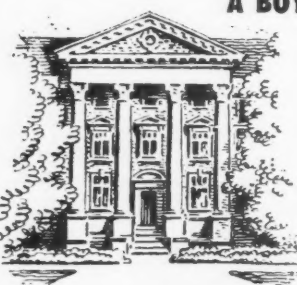
When fully matured, the whiskies for Wiser's 101 are taken out of small oak barrels for blending, then returned to the same barrels for an additional lengthy period. This is known as the "marrying"

period in which Wiser's 101 slowly reaches perfection in character, flavour and smoothness. This costlier "marrying" is what makes Wiser's 101 the smoothest 6 year old whisky you can buy.

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in use. In a year 70% is expected to be employed.

Officials do not see the need for any equity financing, which would involve rights, even in 1962. Cost of plant and facilities stands at \$30 million, and another \$3 million will be spent this year, but will be handled without equity financing.

Selling at around 30 times earnings, the shares are anticipating a continuance of the past growth trend, which could take time to realize.

### Charter Oils

*Kindly give me your opinion of prospects for Charter Oils.—R. A., Regina.*

Charter Oils is a land-play company in western oil and gas, and could be enlivened by an increase in market interest in petroleum-land companies, or by discoveries on properties in which Charter is interested or noncompany properties in the same area.

The situation is, of course, highly speculative, as indicated by the price the market places upon the shares.

### Steel Outlook

*How do you like the steel stocks? — R. S., Winnipeg.*

Outlook for the steel industry over the short term is uncertain. Steel prices on the west coast have weakened in reflection of Japanese competition. Most domestic markets have shrunk, and the industry in 1960 sought export markets, but apparently did not find them too profitable. For example, the net average steel price per ton received at Sault Ste. Marie, Ont. declined to \$111.57 from \$116.17 in 1959.

The industry has in recent months been working on orders for skelp, the special plate from which pipe is made, for natural gas pipelines and business is expected to be good until the end of the second quarter. Pipeline business is, however, cyclical so that the last half of the year may see the mills dependent on non-pipe domestic orders and exports. In the meantime the stock market has bid up steel stocks in anticipation of the expected recovery in business including the steel industry.

Market valuations of the Canadian steels are not excessive in relation to assets and earnings and outlook. Even if a buyer for early appreciation suffered disappointment, he would probably work out at a profit eventually. Projections are for a doubling of the industry in the next 20 years.

One of the brightest features of the steels over the long term is provided by the extent to which the companies have acquired their own iron-ore re-



sources. The single exception is Dominion Foundries & Steel, and it has announced general plans for acquiring iron-ore properties.

## Kerr-Addison

*Is there any hope of Kerr-Addison reversing its misfortunes at depth? If not, should one retain the stock?—M. A., Montreal.*

Despite last year's failure at depth, Kerr is still an outstanding mine. There are issued 4.7 million shares, and net profits in 1960 were \$1.12 a share. Dividends are being paid at the rate of 20 cents quarterly. Working capital exceeds \$12 million.

Last year's earnings were the result of milling 1.7 million tons of an average grade of 0.36 oz. gold per ton. Ore reserves above the 4550-foot horizon total nine million tons, grade 0.41 oz., a decline of 600,000 tons during 1960, but grade improved by 0.025 oz. per ton.

The significant thing is that ore reserves are adequate for more than five years' operation. Additionally, something has to be allowed for the probability of reserves exceeding estimates, the possibility of additional ore being found on the property and of success in outside exploration.

A firm of consultants has been retained to assist with geological studies and direction of underground exploration. Since the ore deposition is complex, and the mine workings comprise more than 52 miles of drifts and cross-cuts, these studies are expected to continue for a considerable period. It is proposed to explore the projected ore zone over a strike length of not less than 6,500 feet on both the 4800 and 5600 levels.

Ore is where you find it, and in the case of Kerr the price for participating in the gamble doesn't seem to be excessive.

## In Brief

*How is Violamac Mines making out on the Kam-Kotia copper mine near Timmins?—M. M., Hamilton.*

Putting it into production with 900-ton mill.

*What is the status of Newlund Mines?—C. H., Sault Ste. Marie.*

Has strong war chest, and considers further work in Echo Twp., N.W. Ontario.

*When will Canada Tungsten be in production?—S. F., London.*

Objective is fall of 1962.

MAY 27th 1961



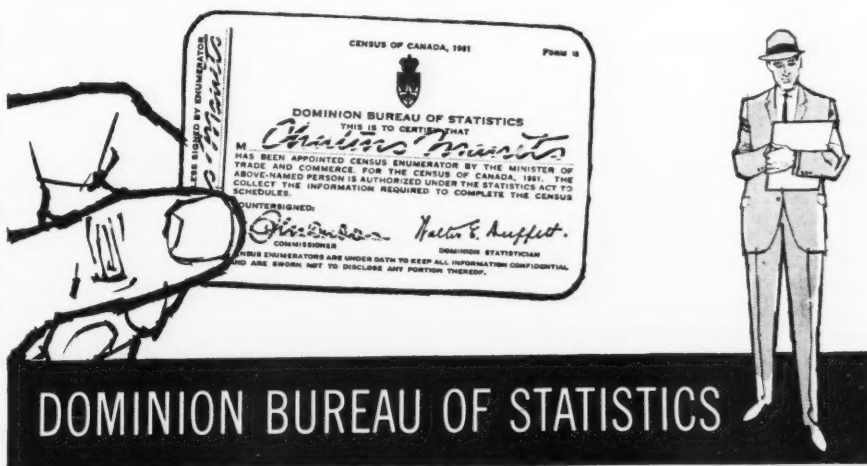
## Welcome your Census Taker

In June, Census Takers will ask questions of you and all other residents of Canada. Your answers, combined with those of others, will produce facts vitally important in guiding the development of Canada's future—in planning schools, hospitals, public utilities, farm and industrial production.

The Census is an enormous task undertaken once every ten years. Only with the co-operation of every Canadian can it be done quickly and accurately.

**All information you give is kept in strict confidence.** By law, every person must answer the Census questions but the answers can be used only by the Dominion Bureau of Statistics for the preparation of statistics. Information about individuals cannot be disclosed to any other government department or agency, private organization or individual. An accurate Census benefits us all. When the Census Taker calls at your home, please welcome him and **HELP CANADA COUNT!**

12-61



Published under the authority of The Honourable George Hees, Minister of Trade and Commerce

## Chess

by D. M. LeDain

CAPABLANCA was a remarkable exhibitor of simultaneous games viewed either percentage-wise or from the high technical and artistic standard maintained. On one American tour he scored 703 wins, 19 draws and only 12 losses. Yet in most cities the best available talent was mustered to oppose him. In one exhibition at Cleveland he engaged 103 opponents and allowed only a single draw! In three games he sacrificed his Queen!

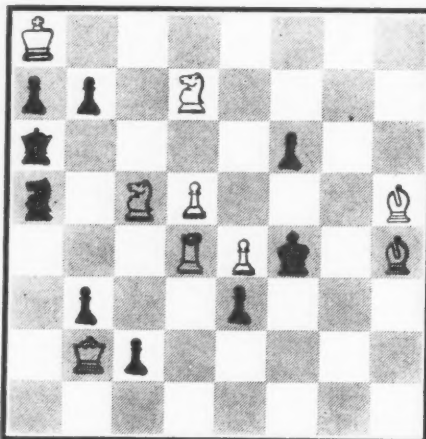
White: J. R. Capablanca, Black: M. Carter.

1.P-K4, P-K4; 2.P-KB4, B-B4; 3.Kt-KB3, P-Q3; 4.P-B3, B-KKt5; 5.PxP, BxKt; 6.QxB, PxP; 7.B-B4, Kt-KB3; 8.P-Q3, Castles; 9.B-KKt5, QKt-Q2; 10.Kt-Q2, P-B3; 11.Castles(Q), P-Kt4; 12.B-Kt3, B-K2; 13.P-KR4, Kt-B4; 14.B-B2, Kt-K3; 15.P-KKt4!, P-Kt3?; 16.BxKt, BxB; 17.P-Kt5, B-Kt2; 18.QR-Kt1, Kt-B5; 19.Kt-B1, K-R1; 20.Kt-K3, Q-B2 (if KtxPch; 21.BxKt, QxB; 22.QR-Q1!); 21.P-R5, PxP; 22.RxP!, KtxR; 23.QxKt,

QR-K1; 24.Kt-B5, R-K3; 25.R-R1, P-KR3; 26.PxP, B-B3; 27.Q-Kt4!, R-KKt1; 28.Q-Kt7ch!! Resigns.

**Solution of Problem No. 270** (Mackenzie). Key, B-KKt6.

**Problem No. 271** by H. D'O. Bernard, (1st Prize, "Grantham Journal", 1928). White mates in two moves. (9 + 9)



## Puzzler

by J. A. H. Hunter

"It's INTERESTING about that new pyramid they discovered in Kalota," said Sam. "And Knok's mummified body entombed inside it."

"Yes." John nodded. "The Egyptians, the Mayans, and the Kalotans. Seems to show there must have been a land link in the early days."

"Maybe, but I meant about all those measurements," explained Sam. "Each side of the square base, and also the vertical height, and each of the four equal slant edges, is an exact number of kells corresponding to a vital statistic in their set-up. And then the tomb is located so that its centre is exactly as many kells from each of the five corners as the old chap's age in years when he died."

"A Methuselah, eh?" John chuckled. "It must be enormous."

"Well, he wasn't that old," his friend declared. "Certainly under a hundred."

But how old must Knok have been when he died? (153)

Answer on page 44.

## Sharpen Your Wits

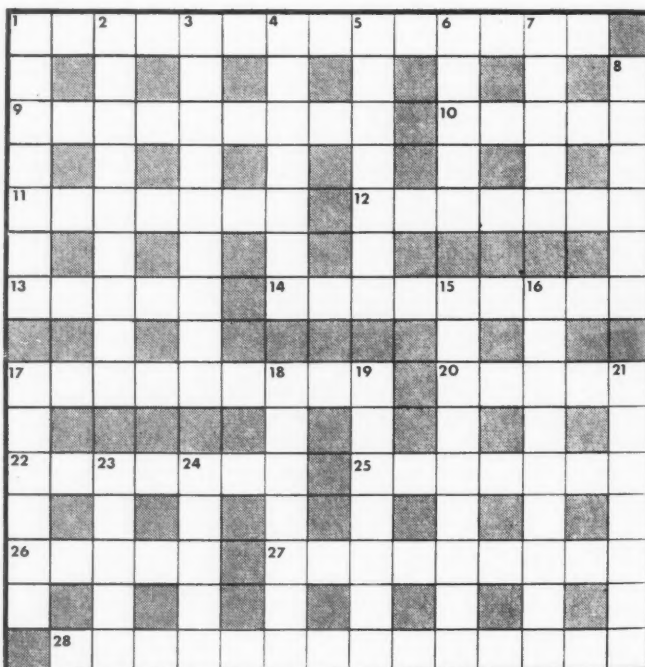
by Louis and Dorothy Crerar

### ACROSS

- 1 How the bishop smells! What can it be? (4, 2, 8)
- 9 Capable to fence it if improperly constructed. (9)
- 10 You may find the place if you look, but I can't show you. (5)
- 11 Their shafts, though pointed, are not at all witty. (7)
- 12 In going to her, it follows that she will get what's coming to her. (7)
- 13 It can be right to demand. (5)
- 14 But he never plays his collection of records. (Get the gist of this?) (9)
- 17 Not the Queen's husband although he takes care of her subjects. (3-6)
- 20 Deter from being sent to branches? (5)
- 22 XXX (7)
- 25 Better races dispense with wagers. (7)
- 26 He had a great deal, but owned nothing. (Serfs him right!) (5)
- 27 Certainly clears if I shake it up. (9)
- 28 How one sometimes takes one's medicine. (2, 3, 6, 3)

### DOWN

- 1 Are poets singularly crazy to work? (7)
- 2 Am I at the office? Yes, inside, to perform my duties. (9)
- 3 Some members just scrape along while others get the wind up or have a bang-up time. (9)
- 4 Yet the tool of his trade this poet holds was no doubt a quill. (7)
- 5, 17, 6. What one would expect from Washington pronouncements. (7, 3, 3, 5)
- 6 See 5
- 7 Judge? (5)
- 8 He makes a hit with his cake-mixture, no doubt. (6)
- 15 This should commence Saturday at nine, though the outlook is gloomy. (9)
- 16 French queen had a heart test, but they had to take another look. (2-7)
- 17 See 5
- 18 Its driver might say, "I am after the duty on my vehicle". (4-3)
- 19 An honest carter finally takes it back. (7)
- 21 No nudist was ever well before this. (7)
- 23 "Lo, I go into it," said Nanook. (5)
- 24 Your entrance may give one a lift. (5)



### Solution to last puzzle

- |                    |                     |                              |
|--------------------|---------------------|------------------------------|
| ACROSS             | 24 Salve            | 5 Travelling light           |
| 1 Self-portraiture | 25 Newt             | 6 Ail                        |
| 9 Lime             | 27 Amen             | 7 See 28D                    |
| 10 Drawl           | 28 Angle            | 8, 17. Round one             |
| 11 Rout            | 30 Gide             | 13 Strides                   |
| 12 Kepi            | 31 Light literature | 14 Preside                   |
| 13 Sheep           |                     | 17, 22. Onestep              |
| 15 Undo            |                     | 19 Coo                       |
| 16 Doggerel        |                     | 23 Tempi                     |
| 18 Ethics          | DOWN                | 26 Wader                     |
| 20 Method          | 2 Elite             | 28, 7. All through the night |
| 21 Neighbor        | 3 Feeling the pinch | 29 Ear (520)                 |
| 22 See 17          | 4 Odd               |                              |



## Ottawa Letter

by Raymond Rodgers

# French Canada and Education for Employment

HERE ARE TWO sets of figures which will make any responsible Canadian sit up with a start:

- When Labor Minister Starr was in Washington last month he was told there are over 1,000,000 Americans now engaged in technical and vocational training. That kind of training requires at least an elementary knowledge of the three R's. But in Canada, according to estimates by Dr. F. E. Whitworth, Director of DBS Education Statistics, there are over 1,000,000 who, never having completed a grade four education, could not undertake such training.

- This past winter, the Canadian government's winter works program provided jobs for slightly more than 209,000 of the jobless. Back in 1951, when the population was much lower than today, there were 208,539 Canadians who had never been to school and were past the age for doing so.

The block in the path of educational progress (and therefore to reducing unemployment) is, of course, the provinces' constitutional conceit about education. And few are more conceited in this respect than the leaders of Quebec. In fact, it must be honestly stated that unless there is a really fundamental change in French-Canadian thinking, the prospects for an educational conference such as suggested in *Comment of the Day* last issue are dim indeed.

The reasons for Quebec's special conceit about education are widely known and, so far as general education is concerned, are viewed with some sympathy by most English-Canadians. Quebec wants its education to be both *Canadien* and Catholic in content. The determination to preserve this is one of the basic premises of our federation. But it comes as something of a shock to English-Canadians when they discover that this stance is even taken over from the field of general education into technical and vocational realms far divorced from social policy.

Nowhere has this been brought out more dishearteningly in the past than in a forum where we would hope French Canada's spokesmen would speak with moderation: Parliament. From 1953 (when the Liberals brought

in aid to universities) right up to 1960, Quebec MPs have been on their feet blasting *all* forms of federal intervention in education. More recently, with the introduction of the Technical and Vocational Training Assistance Act, there has been some modification of this stand.

In a nutshell, the present Quebec view is that intervention is fine so long as it is confined to technical and higher education and consists primarily in handing out cash — no strings attached — to the provinces. Beyond that, anything done in the field of education would require the agreement of the provinces — particularly Quebec.

Ironically enough, this latter point was brought out in the current session of Parliament by a Quebec Liberal who initially blasted Quebec Conservatives for their past stand on education. Speaking on December 2, Alexis Caron taunted French Canadian Conservatives

to speak up "because we all know how they objected to the intervention of the federal government in this field."

But Caron revealed Quebec Liberal policy in no small measure when he later rose in the House and asked Labor Minister Starr whether the minister's power to "undertake and direct research in respect of technical and vocational training" would not mean "that there is an erosion into the autonomy of the provinces in the domain of education?"

To satisfy Caron, an amendment was introduced to make it clear that even with respect to statistical and related research, the agreement of the province would have to be forthcoming before the federal authorities could study that province's educational facilities. Constitutionally, of course, this is quite correct. But in the opinion of many Canadians the thing that is incorrect is the constitution. Some of its nineteenth

### What Mike Starr Was Told in Washington

- Kennedy's officials are thinking very seriously of bringing in tax reductions and diversions to stimulate investment in certain types of plant expansion. This will probably happen within a few weeks.

- Chairman Martin of the U.S. Federal Reserve Board will get nowhere with his program of price reductions to assure continuing consumption. Neither labor nor management is willing to go along.

- The Kennedy administration is resigned to a permanent three to five per cent unemployment. The three per cent alone is accounted for by the famous American mobility of population. No basic program is around to restore employment to maximum wartime levels.

- If it were not for lower seasonal problems in the U.S., that country would probably match our peak unemployment of 11.3 per cent.

- The U.S. vocational training and

apprenticeship systems are better and bigger than Canada's. The Federal government there is not afraid to intrude into state jurisdiction on that topic, nor in labor-management.

- Some assertion was made within the U.S. Labor Department to the effect Canada is creeping out of the recession faster than the U.S. The reason is supposed to be because the Diefenbaker government introduced some time ago measures which Kennedy is only now applying: expansion for housing construction; extension of unemployment benefits; expansion in National Employment Service; aid to distressed areas; distribution of surplus food; increased aid to the aged; increased aid to veterans; acceleration of Government procurement, and construction in depressed areas; special tax incentives to business; and aid to education (limited in Canada where provinces do not choose to benefit).

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Labor Ministers Goldberger and Starr with President: Canada creeps faster?

century provisions need to be scrapped if we are to meet the challenges of the twentieth.

But a hasty poll and some solid reading of past speeches reveal that not a single member of the two big parties is willing to take a stand on the amendment of the constitution with respect to education. They are not even willing, at this time, to come out in favor of that needed federal-provincial conference.

The fact of the matter — and it is privately acknowledged widely in Ottawa — is that there are two ways of handling this situation. One is to muddle along as we have been doing — with similarly disastrous results. The other is to get the English-Canadian provinces together in order to thrash out a co-ordinated educational program covering at least their non-denominational schools. The program would envisage common standards and certificates and some constitutional gimmick would have to be worked out so that Ottawa can assist.

Quebec is well aware, of course, of these undercurrents of unrest and disfavor. In fact, Quebec MPs are so sensitive about them they recently provided the floor and galleries of the House with a rather amusing spectacle on an unamusing subject. For decades Ian Campbell, National Co-ordinator of Civilian Rehabilitation, has been pushing for an effective Vocational Rehabilitation Act. We now have one. But when it was before the House on Labor Day the following exchanges occurred:

Mr. Deschatelets: Mr. Chairman, I

only want to say a few words about clause 3. I note that under this clause:

—the Minister may enter into an agreement with any province, for a period not exceeding six years, to provide for the payment by Canada to the province of contributions in respect of the costs incurred by the province in undertaking in the province a comprehensive program for the vocational rehabilitation of disabled persons.

This is a joint federal-provincial program. May I point out at this stage that I would have liked very much to hear what our Conservative friends of the province of Quebec had to say about this, because there is no unanimity in the province of Quebec regarding those joint programs.

The Chairman: Order, order . . . comments cannot be related to the phraseology of clause 3, so I think they are out of order in view of the rule governing consideration of the various clauses of a bill.

Mr. Deschatelets: Mr. Chairman, I shall abide by your decision. However, in view of the fact that we are now considering clause 3 which I think is the key provision in this bill, I wanted to give my hon. friends from the province of Quebec an opportunity to vote either for or against the bill. I would therefore ask you, Mr. Chairman, to call for the yeas and the nays, in order to find out where our hon. friends stand on a joint federal-provincial scheme.

Happily, and exceptionally, not a single Quebec vote was cast against the Bill. But such unanimity on general education we could never hope for.



# Television

by Mary Lowrey Ross

## History and Propaganda

IN A TELEVISION interview preceding the Eichmann trial Premier Ben-Gurion was questioned about the value of the trial as propaganda. He replied promptly that the trial wasn't intended to present propaganda, it was meant to present history.

The value of the trial as history can hardly be questioned. Since the Nazi persecution of the Jews was one of the more appalling facts of an appalling era, it was necessary to document it as closely as possible, if only as a warning to future generations, and Eichmann himself was the natural nexus of the story. Yet, with so many fierce passions involved, it could hardly fail to emerge as propaganda, and the early pictures that preceded the trial's opening created a feeling that was far more emotional than legalistic.

The scenes from Auschwitz, both before and after the Nazi collapse, the early arrogant picture of Eichmann himself, the faces of survivors and eyewitnesses of the horror — all these created a violent public reaction and resulted in floods of letters to the press, the only forum in which the viewers could express either their desire for vengeance or their search for some sort of justification.

No one reading these communications could escape the feeling that the early Eichmann trial pictures stirred in many people a perverse and latent anti-Semitism. The reason for this was obvious. It was impossible to feel any pity for Adolf Eichmann himself. "This burnt-out ember of a man," Dr. Robert Servatius said in speaking of the accused; but the description, one felt, over-dramatized the neatly-suited, self-possessed civil servant who sat stonily facing his accusers.

Eichmann, it was universally felt, was beyond pity and, through the sheer enormity of the charges against him, almost beyond human comprehension. So the feelings aroused by the trial, denied any other outlet, took in many cases, the familiar, exacerbated irrational form we all know. ("After all, don't the Old Testament records prove that the Jews persecuted the Ammonites?")

It was fortunate, perhaps, that in the opening week of the trial, the State of Israel should have shifted ground and put itself, rather than Adolf Eichmann, on the stand. The trial to be sure was a formality. The matter of the legality or non-legality of the Eichmann capture and arraignment had been examined thoroughly in the preceding week, both in the press and on television.

According to one group of authorities it was illegal on half a dozen counts. It had every necessary precedent, according to another. Israel itself had no intention whatever of surrendering its prisoner, and the week was dedicated to justifying the Israeli cause rather than to pleading it. In the drone of legalistic debate, the sensationalism died out of the pictures and the story; and Adolf Eichmann, sitting motionless as stone in his glass cage, his head permanently cocked at an angle of intelligent interest, did little to revive it.

The public interest in the trial was still vivid, however, and letters continued to pour into the press. Meanwhile, the Soviet had successfully launched Major Gagarin into space, and the news reports, along with the weekly *Eyewitness to History*, were dedicating every inch of available space to the Moscow rejoicings and the occasional glimpses, between the bear-hugs of

Premier Khrushchov, of the first man in creation to see the world as a planet.

By the next weekend, President Kennedy and the Cuban counter-revolution had crowded even Gagarin off the living-room screen, and the Cuban crisis itself was being badly jostled by the revolting French generals in Algiers. If, as disaffected people claimed, the Eichmann case was being employed by the State of Israel largely for purposes of propaganda, the timing, in the light of contending world entries, could hardly have been worse.

There simply wasn't enough room on the little screen for Yuri Gagarin, the Cuban crisis, the crisis in Algiers, President Kennedy, the distracted faces of the Cuban wives in Miami, the face of Dr. Castro and the face of Adolf Eichmann.

Over the past week I have searched the channels for news of the Eichmann trial and very little has been forthcoming. There have been occasional references in the news reports and a few half-hour programs on unavailable channels. But officially the story seems to have faded out, at least until the verdict on Eichmann is brought in sometime this summer.

Meanwhile, both the trial and television have served their purpose. They have brought into millions of sheltered living-rooms, brutally, and for the first time, the appalling record in history which the capture of Eichmann uncovered once more. They have discussed, pro and con with a curious kind of passionate dispassion, every single angle of legality and justice, and they have revealed every possible motivation and prejudice.

Above all, they have made it clear that the peculiar nature of the Eichmann case makes the idea of either vengeance or justification completely unrealistic. No vengeance is possible on any human terms we know, and no justification is conceivable.



*Eichmann trial: The timing could hardly have been worse.*

# Let's Have A Few More Rich Canadians

by Walter Jelen

THE EXCITING NEW Sydney Opera House, designed by the brilliant Danish architect Joern Utzon, the colonization of Virginia in 1612, the founding of the British Museum, the new Centro Medico Hospital (with more than 2,000 beds) in Mexico City and countless other projects have one thing in common—they were financed by the proceeds of lotteries.

Although a number of outspoken Members of Parliament of all parties have urged lotteries or sweepstakes for Canada — among them J. Ferguson Browne (PC, Vancouver - Kingsway), Douglas Fisher (CCF, Port Arthur), Louis Joseph Pigeon (PC, Joliette-L'Assomption-Montcalm) and Mervyn Hardie (Liberal, Northwestern Territory) to mention a few—lotteries and sweepstakes are still naughty words to some Canadians.

For instance, when the mayors and reeves of the Ontario Municipal Association dared to demand hospital sweepstakes, the *Toronto Telegram* in an angry editorial wrote: "Banana republics, lacking a sound economy, resort to lotteries for funds." Without doubt a strange classification for countries like Australia, Germany, France, Sweden and Switzerland, where lotteries have been operating for decades or even centuries.

Proceeds of Sweden's lotteries have benefited the nation in many ways. Repertory theatres, symphony orchestras, outdoor concerts, scholarships for conservatories of music and for academies of painting and sculpture, the construction of hundreds of splendid playing fields, ice rinks, ski jumps and swimming pools are just a selected few testimonials of values created.

The Swiss Sport-Toto was established in 1938. This non-profit enterprise accepts bets on the outcome of soccer games. In an average year the Swiss fill out around 14,000,000 Toto coupons, accompanied by the payment of about 36,000,000 francs. The usual bet, therefore, is less than a dollar.

Seventy-five percent of the profit is distributed among the cantons, the sovereign states of the small Alpine republic, in two ways. One half is shared among them according to the population ratio; the other half is paid out according to the amount of money bet in the different cantons. The remaining twenty-five percent of the

profit is used for the construction of sport arenas, playing fields, the sponsoring of sport programs for young athletes and similar endeavors.

Puritans who predict dire consequences for a nation which indulges in lotteries or soccer pools may conceivably be shocked and change their opinion after learning this fact of Swiss life. The Swiss, in spite of lotteries—and I am told they have several hundred of them—are second to none in efficiency, toughness, pride and willingness to work hard.

Since 1930 when Irish sweepstakes, through an act of the Oireachtas, Eire's Parliament, became legal, ticket buyers from more than 150 countries have wistfully waited for the draws in Dub-

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*Editor's note: For the position of the law with regard to gambling in Canada and for a suggestion as to some desirable amendments, see the article by Professor J. D. Morton on Page 16.*

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lin. For more than thirty years a steady flow of money from all over the world has reached Eire. Canadians, according to a recently published estimate by the Post Office Department, "contribute" annually up to \$25,000,000 to the intake of Sweepstake Hall.

Here, at Ballsbridge, a suburb of Dublin, the giant golden drum—twenty-two feet long and nine feet in diameter—has become one of Europe's great tourist attractions. The economic importance of Dame Fortune for Eire is very considerable. Today, Sweepstake Hall, with a staff of 2,500, is the nation's second largest employer.

More than 250 Irish hospitals and similar institutions have benefited from the profits. Recent reports have stated that Irish hospitals have received up to \$100,000,000 from the sweeps, while the government's share is estimated to be more than \$2,000,000 annually.

While many Canadians, for religious reasons, oppose lotteries, sweepstakes and soccer pools, European churchgoers apparently have a somewhat more liberal attitude. To quote an item in London's *Sunday Times*: "In the English church in Monte Carlo they only sing hymns with a number higher than 36. Otherwise the congregation quits

the church at the first organ note to dash to the Casino and back the number of the hymn."

In the United Kingdom, soccer pools have been described as "the sixth largest industry." According to a spokesman of Vernon's Soccer Pools Ltd., one of the five main companies operating the pools, a total of at least 12,000,000 people in the U.K. enter the pools every week. These companies are governed by strict rules, set down by an act of Parliament and supervised by the Government, which takes 30 per cent of the money collected.

The pools, which operate in every country of the Commonwealth with the exception of Canada, are big business. One firm in Britain, for instance, employs no fewer than 20,000 people and uses up to 40,000,000 envelopes in a month. In spite of repeated warnings by the Post Office Department, and the threat to discontinue postal service to the bettors, an estimated 250,000 Canadians are playing in the Old Country's soccer pools.

Douglas Fisher (MP, Port Arthur) is one of many Canadians who admits a personal liking for soccer pools. "In my opinion," he said, "it is the kind of gambling operation in which the ordinary person not only gets a chance or possibility of making a great deal of money, but in which some skill is employed." He pointed out that a man could win as much as \$300,000 for a two-cent bet.

Not only would the introduction of lotteries or sweepstakes in Canada give employment to a considerable number of people, the profits earned would also be a most valuable boost to education, hospitals and charitable institutions. Incidentally, all these would create quite a few more rich Canadians—counterparts of people such as Sydney bank manager L. M. Nixon who won \$200,000 in the Opera House Lottery, the Lancashire miner who won \$180,000 from a football bet of two cents (and, when asked if he would remain a miner, answered: "Not if I can help it") and Emilio Scala who won £354,725 in the Irish sweepstakes.

According to reliable polls, the majority of Canadians approve the right to play in a lottery or purchase sweepstake tickets. In a democracy the will of the majority must prevail—or isn't that so?

---

ANSWER TO PUZZLER

18 years old



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Feature articles by:

Kenneth McNaught — who argues that Canada should get out of NORAD and NATO and join with other small countries in banning the bomb

John Gellner — who feels that militarily we shouldn't leave NORAD and NATO, but that we still should refuse nuclear arms

Maj.-Gen. F. F. Worthington — who explains how we can survive even if other countries start a nuclear war

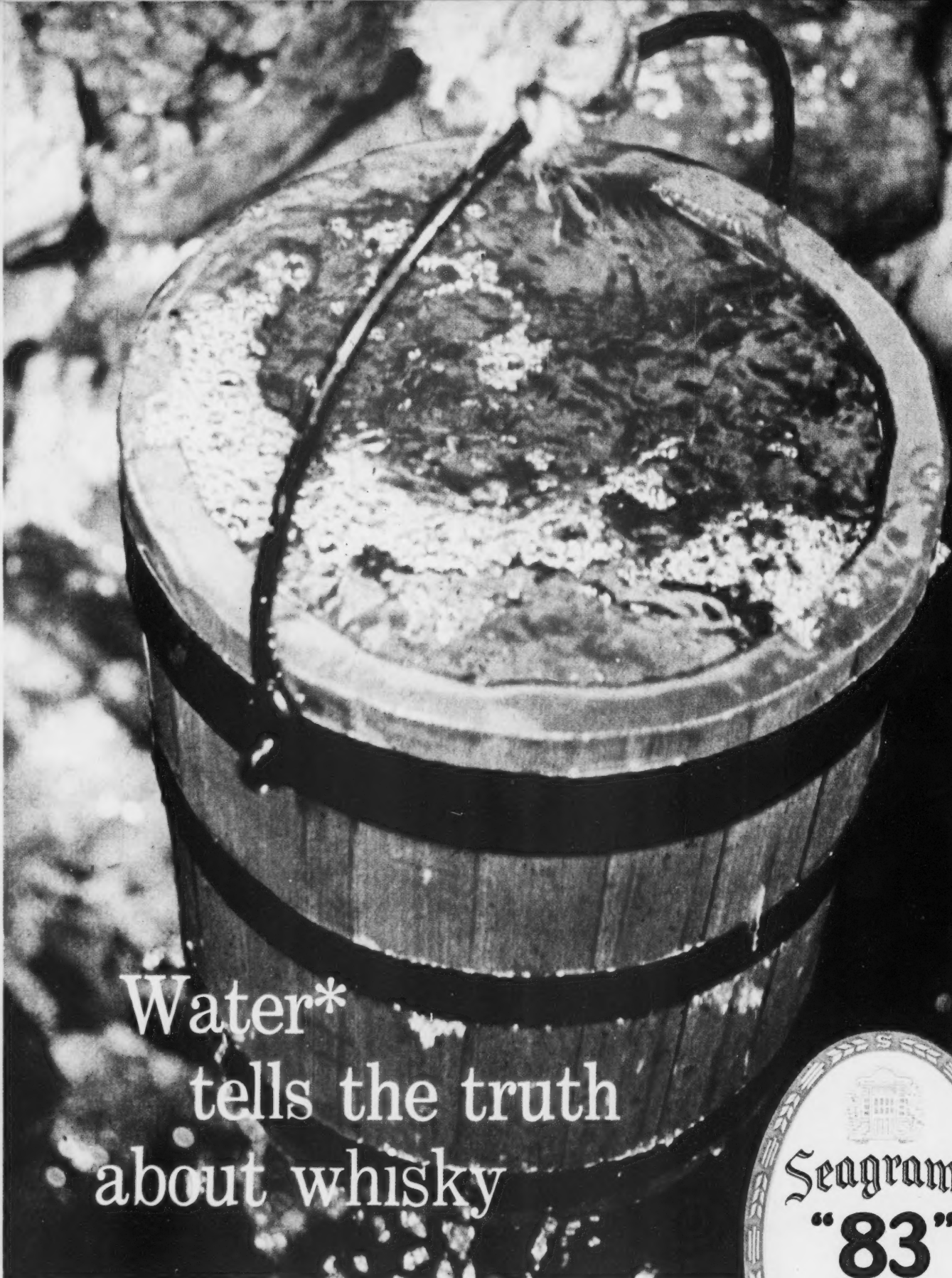
In addition: Special Editorial

**"Canada Should  
Not Accept  
Nuclear Arms"  
A SPECIAL REPORT**

**Saturday Night**

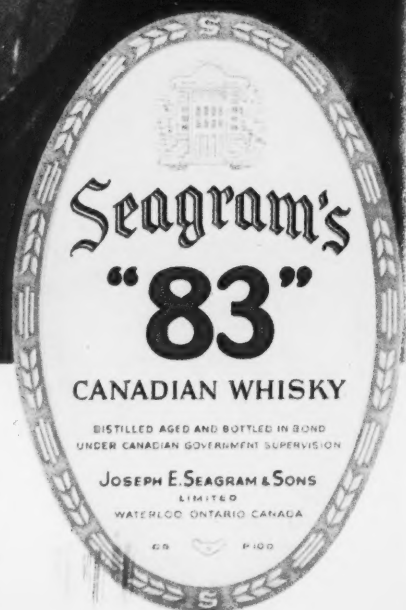
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Water\*  
tells the truth  
about whisky

Pour an ounce or two of Seagram's "83" into a glass. Add ice if you like. Then pour in clear, cold water\* (plain or sparkling) until the mixture is just the right shade of pale amber. Now lift the glass and breathe in that clean, fresh fragrance . . . like fields of golden rye in the sun. That is Seagram's "83" as Seagram's and Nature made it — with nothing added but honest, all-revealing water. If it tastes better than any other whisky with water, then you'll be sure to like it as well with any other favourite mixer.







**NO 12**